

SWELLENDAM

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2013

SWELLENDAM LOCAL MUNICIPALITY

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SWELLENDAM LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Swellendam is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Swellendam includes the following areas:

Swellendam

Barrydale

Suurbraak

Buffeljagrsivier

Malagas

Infanta

MAYOR

Mr N.G. Myburgh

MAYORAL COMMITTEE

Mr N.G. Myburgh - Executive Mayor

Mr R.C. Carelse - Deputy Mayor

Mr H. Hartnick - Member

ACTING MUNICIPAL MANAGER

Mr.C.M. Africa

ACTING CHIEF FINANCIAL OFFICER

Mr J De Jager

REGISTERED OFFICE

49 Voortrekker Street

SWELLENDAM

6740

AUDITORS

Auditor General South Africa

Private Bag X1,

Chempet, 7442

PRINCIPLE BANKERS

FNB Swellendam, P.O. Box 10, Swellendam

ATTORNEYS

Powell Kelly Veldman, P.O. Box 18, Swellendam

RELEVANT LEGISLATION

SWELLENDAM LOCAL MUNICIPALITY

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD

Ward 1
Ward 2
Ward 3
Ward 4
Ward 5
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

Cllr J. du Toit Loubser
Cllr M.T.A. Swart
Cllr H. Hartnick
Cllr M.J. Koch
Cllr D.C. Pietersen
Cllr N.G Myburgh
Cllr R.C.Carelse
Cllr G. Libazi
Cllr J.C. Nortje

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's

Mr J Africa
ACTING MUNICIPAL MANAGER
Date: _____

SWELLENDAM LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of SWELLENDAM LOCAL MUNICIPALITY for the fiscal year 2012/2013

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Further more I have to the best of my

knowledge endeavour to assist the Municipal Manager to maintain and exercise his duties as accounting officer as set out in sec 64 (3) of the MFMA which were to ensure :

the resources of the municipality are used effectively, efficiently and economically;

that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

that the municipality has and maintains effective, efficient and transparent systems-

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards;

that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;

that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct : and

that the municipality has and implements-

(i) a tariff policy referred to in section 74 of the Municipal Systems Act;

(ii) a rates policy as may be required in terms of any applicable national legislation;

(iii) a credit

control and debt collection policy

(iv) a supply chain management policy in accordance with Chapter I I .

the Municipal Systems Act; and

is responsible for and must account for all bank accounts

Swellendam Municipality is now fully compliant with the requirements of GRAP.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play a significant negative roll in good financial management. The local economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but more related to the nature of business and the economy. I would therefore trust that National and Provincial role-players and officials take all factors in account before making any statements or judgements.

Financial Statement Ratios:

INDICATOR	30 June 2013	30 June 2012
Surplus / (Deficit) for the year before Appropriations	29 958 187	3 164 158
Accumulated Surplus / (Deficit) at the end of the Year	192 855 060	162 749 186
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	35.61%	32.49%
Remuneration of Councillors	1.99%	2.13%
Debt Impairment	3.00%	1.74%
Depreciation and Amortisation	5.04%	4.69%
Impairments	0.03%	0.00%
Repairs and Maintenance	8.58%	15.45%
Actuarial losses	0.32%	0.24%
Finance Charges	3.73%	4.58%
Bulk Purchases	24.17%	23.33%
Grants and Subsidies	0.90%	0.95%

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REPORT OF THE CHIEF FINANCIAL OFFICER

Stock Adjustments	0.00%	0.05%
Operating Grant Expenditure	3.23%	2.99%
General Expenses	13.38%	11.31%
Loss on disposal of Property,Plant and Equipment	0.01%	0.03%
Current Ratio:		
Creditors Days	110	79
Debtors Days	171	225.80

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REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/2013 R	Actual 2011/2012 R	Percentage Variance %	Budgeted 2012/2013 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	162 749 186	159 694 637	1.91%	87 527 343	86%
Operating income for the year (incl. gains in disposal of assets)	168 776 224	134 135 777	25.82%	172 306 701	-2.05%
Appropriations for the year	147 687	(109 609)	-234.74%	-	
	331 673 097	293 720 805	12.92%	259 834 044	27.65%
Expenditure:					
Operating expenditure for the year	138 818 037	130 971 619	5.99%	155 119 044	-10.51%
Closing surplus / (deficit)	192 855 060	162 749 186	18.50%	104 715 000	84.17%
	331 673 097	293 720 805	12.92%	259 834 044	27.65%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R45281520. Full details of Property, Plant and Equipment are disclosed in note number 13 to the Annual Financial Statements.

The capital expenditure was financed as follows:

DETAILS	Actual 2012/2013 R	Budgeted 2012/2013 R	Percentage Variance %	Source of funding as % of total Cap exp
External Loans	-	1 000 000		0.00%
Grants and Subsidies	43 293 349	33 843 000		98.78%
Leased Assets	536 407			1.22%
	43 829 756	34 843 000		100.00%

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

2013 R	2012 R
36 336 076	37 542 465

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

Refer to Note number 3 and Appendix "A" for more detail.

SWELLENHAM LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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REPORT OF THE CHIEF FINANCIAL OFFICER

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	31 988 852	31 052 738
Provision for Post Retirement Benefits	7 280 375	7 295 231
Provision for Long Service Awards	2 225 611	1 636 016
Provision for Rehabilitation of Landfill-sites	22 482 866	22 121 491
	31 988 852	31 052 738

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	1 152 103	1 101 659
Current Employee benefits	Note number 7	5 238 583	3 909 690
Provisions	Note number 8	4 849 493	4 558 345
Payables from exchange transactions	Note number 9	20 851 550	15 559 950
Unspent Conditional Government Grants and Receipts	Note number 10	3 032 698	6 862 759
Current Portion of Long-term Liabilities	Note number 3	2 000 141	1 708 405
		37 124 568	33 700 808

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:

55 237 **81 441**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 14 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

225 928 602 **187 354 524**

Refer to Note number 12 for more detail.

10. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R ??

286 282 **358 390**

Refer to Note number 17 for more detail.

11. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note number 18	17 463 084	17 367 933
Receivables from exchange transactions	Note number 19	8 199 543	10 289 477
Receivables from non-exchange transactions	Note number 20	5 142 314	5 571 803

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REPORT OF THE CHIEF FINANCIAL OFFICER

Operating Lease Asset	Note number 21	2 221	1 830
Taxes	Note number 11	1 334 928	4 104 862
Current Portion of Long-term Receivables	Note number 17	61 283	45 199
Cash and Cash Equivalents	Note number 22	5 019 646	5 670 357
		37 223 019	43 051 461

Refer to the indicated Note numbers for more detail.

12. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the improvement in poverty alleviation and in sustaining and improving infrastructure for all its citizens for which it utilising grants received from government and other organisations, and thus it has an immense responsibility as custodian of these funds.

Refer to Notes numbers 10 and 24 as well as Appendix E for more detail.

13. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 48

14. DISCLOSURE ISSUES

None

15. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed and complexes each year and therefore I wish to convey my sincere thanks to the personnel who have assist me with compilation of the Financial Statements, for their hard work and dedication.

Mr.J. DE JAGER
ACTING CHIEF FINANCIAL OFFICER
31 August 2013

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		196 831 800	166 873 614
Housing Development Fund	2	3 976 740	4 124 427
Accumulated Surplus/(Deficit)		192 855 060	162 749 186
Non-Current Liabilities		60 722 666	61 703 456
Long-term Liabilities	3	34 335 935	35 834 060
Employee benefits	4	8 753 359	8 306 250
Non-Current Provisions	5	17 633 373	17 563 146
Current Liabilities		37 124 568	33 700 808
Consumer Deposits	6	1 152 103	1 101 659
Current Employee benefits	7	5 238 583	3 909 690
Provisions	8	4 849 493	4 558 345
Payables from exchange transactions	9	20 851 550	15 559 950
Unspent Conditional Government Grants and Receipts	10	3 032 698	6 862 759
Current Portion of Long-term Liabilities	3	2 000 141	1 708 405
Total Net Assets and Liabilities		294 679 035	262 277 878
ASSETS			
Non-Current Assets		257 456 015	219 226 418
Property, Plant and Equipment	12	225 928 602	187 354 524
Investment Property	13	25 314 491	25 333 658
Intangible Assets	14	55 237	81 441
Heritage Assets	15	3 453 349	3 392 205
Capitalised Restoration Costs	16	2 418 055	2 706 201
Long-Term Receivables	17	286 282	358 390
Current Assets		37 223 019	43 051 460
Inventory	18	17 463 084	17 367 933
Receivables from exchange transactions	19	8 199 543	10 289 477
Receivables from non-exchange transactions	20	5 142 314	5 571 803
Operating Lease Asset	21	2 221	1 830
Taxes	11	1 334 928	4 104 862
Current Portion of Long-term Receivables	17	61 283	45 199
Cash and Cash Equivalents	22	5 019 646	5 670 357
Total Assets		294 679 035	262 277 878

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		92 453 906	60 331 384
Taxation Revenue		21 400 513	19 394 192
Property taxes	23	21 400 513	19 394 192
Transfer Revenue		69 742 914	39 578 325
Government Grants and Subsidies - Capital	24	43 293 349	16 843 010
Government Grants and Subsidies - Operating	24	26 449 565	22 735 315
Other Revenue		1 310 479	1 358 866
Actuarial Gains	4	-	87 851
Fines		1 310 479	1 271 015
Revenue from Exchange Transactions		76 322 318	73 804 393
Service Charges	25	69 746 427	67 640 699
Rental of Facilities and Equipment		777 167	950 366
Interest Earned - external investments		527 019	720 975
Interest Earned - outstanding debtors		1 161 418	1 324 426
Licences and Permits		990 881	1 033 510
Agency Services		1 130 183	1 091 646
Other Income	26	1 595 148	1 042 772
Gain on disposal of Property, Plant and Equipment		394 074	-
Total Revenue		168 776 224	134 135 777
EXPENDITURE			
Employee related costs	27	49 429 045	42 550 809
Remuneration of Councillors	28	2 766 523	2 787 849
Debt Impairment	29	4 164 096	2 276 821
Depreciation and Amortisation	30	6 990 379	6 144 452
Impairments	31	48 496	6 213
Repairs and Maintenance		11 907 032	20 235 526
Actuarial losses	4	449 176	316 119
Finance Charges	32	5 181 348	6 004 538
Bulk Purchases	33	33 553 188	30 560 116
Grants and Subsidies	34	1 246 890	1 250 000
Stock Adjustments		177	71 599
Operating Grant Expenditure	35	4 490 658	3 920 507
General Expenses	36	18 578 183	14 809 818
Loss on disposal of Property, Plant and Equipment		12 845	37 253
Total Expenditure		138 818 037	130 971 619
NET SURPLUS/(DEFICIT) FOR THE YEAR		29 958 187	3 164 158

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2011	4 014 818	147 194 355	151 209 173
Change in accounting policy		-	-
Correction of error		12 500 282	12 500 282
Restated Balance at 1 JULY 2011	4 014 818	159 694 637	163 709 455
Net Surplus for the year		3 164 158	3 164 158
Transfer to housing	109 609	(109 609)	-
Balance at 30 JUNE 2012	4 124 427	162 749 186	166 873 613
Net Surplus for the year	-	29 958 187	29 958 187
Transfer from housing	(147 687)	147 687	-
Balance at 30 JUNE 2013	3 976 740	192 855 060	196 831 800

SWELLENDAM LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		97 743 021	89 360 232
Government		65 912 853	35 849 403
Interest		1 688 437	2 045 401
Dividends		-	-
Payments			
Suppliers and employees		(113 507 512)	(108 810 788)
Finance charges	32	(5 181 348)	(6 004 538)
Transfers and Grants		(1 246 890)	(1 250 000)
Cash generated by operations	38	45 408 563	11 189 710
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(45 281 520)	(20 174 010)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		394 074	-
Purchase of Heretige Assets		(61 144)	
Purchase of Intangible Assets		(10 763)	(6 995)
Decrease in Long-term Receivables	17	56 024	181 947
Net Cash from Investing Activities		(44 903 329)	(19 999 058)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 742 796)	(1 595 749)
New loans raised		536 407	
Increase in Consumer Deposits		50 444	87 296
Net Cash from Financing Activities		(1 155 945)	(1 508 454)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(650 711)	(10 317 802)
Cash and Cash Equivalents at the beginning of the year		5 670 357	15 988 159
Cash and Cash Equivalents at the end of the year	39	5 019 646	5 670 357
NET INCREASE IN CASH AND CASH EQUIVALENTS		(650 711)	(10 317 802)

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the auditor's opinion regarding materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.	1 April 2013

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	No significant impact is expected as the Municipality does not participate or have any interest in associates.	
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p>	Unknown

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.9.2. Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.15.1. Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% to 70% as contribution and the remaining 30%- 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries and are adjusted accordingly due to differences of actual cost and actuarial estimates of cost.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries and are adjusted accordingly due to differences of actual cost and actuarial estimates of cost.

1.15.3. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.4. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.5. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the expenditure to be funded. In such cases, the Municipality expense those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.17.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Infrastructure

Bridges	50
Transformer kiosk	50
Footways	50
Mains	50
Outfall sewers	50
Pump stations	50
Purification works	50
Reservoirs and tanks	50
Sewers	50
Supply/reticulation	50
Switchgear	50
Traffic lights	50
Meters	50
Sewerage pumps	50
Other roads	50
Other	50

Community

Buildings	100
Cemeteries	0
Clinics	100
Community centres	20 - 100
Indoor sports	0 - 100
Libraries	0 - 100
Municipal buildings	100
Office Buildings	0 - 100

Other

Air conditioners	5 - 11
Cabinets / Cupboards	5 - 25
Chairs	5 - 20
Computer hardware	5 - 21
General Plant	5 - 30
Generators	5 - 15
Graders	10
Lawnmowers	10 - 20
Mechanical horses	10 - 25
Miscellaneous furniture	5 - 20
Office machines	5 - 20
Security systems	5 - 10
Radio equipment	5 - 20
Tables / desks	5 - 20
Telecommunication	9 - 20
Tippers	30 - 15
Tools	5 - 12
Tractors	10 - 20
Trucks / bakkies	5 - 33
Vehicles	5 - 20

Heritage Assets and Land

Heritage Assets	50-infinite
Land	infinite

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Outdoor sport facilities	0		
Parks	0 - 100		
Public conveniences	20 - 100	<u>Finance</u>	<u>lease</u>
		<u>assets</u>	
Tip sites	20		
		Office equipment	5
		Other assets	5
<u>Land and Buildings</u>			
Land	0		
Buildings	100		
Fencing	100		
Municipal Buildings	100		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 10
Computer Software Licenses	5

1.18.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.19.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

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Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010

1.20 HERITAGE ASSETS

1.20.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.20.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.20.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or

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CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated

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impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 Non-Current Investments

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the

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extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

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Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of

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purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the

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Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the

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financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.30.10 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.30.12 Composition of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30.13 Provision for Clearing of Alien Vegetation

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (Amounts above R1.5 million)
ASSETS				
Current assets				
Cash	3 892 153	4 199 000	306 847	
Call investment deposits	1 127 493		(1 127 493)	
Consumer debtors	8 912 597	10 029 000	1 116 403	
Other Receivables	5 766 409	9 955 000	4 188 591	Impairments of Debtors
Current portion of long-term receivables	61 283		(61 283)	
Inventory	17 463 084	9 705 000	(7 758 084)	Selling of erven not realized- Council moratorium
Total current assets	37 223 019	33 888 000	(3 335 019)	
Non current assets				
Long-term receivables	286 282	459 000	172 718	
Investments	-	-	-	
Investment property	25 314 491	2 358 000	(22 956 491)	Transfers from PPE- correction of errors
Property, plant and equipment	228 346 657	166 869 000	(61 477 657)	First time measured (asset values previously not capitalised)
Biological Assets	-	-	-	
Intangible Assets	55 237	498 000	442 763	
Heritage Assets	3 453 349	-	(3 453 349)	
Total non current assets	257 456 015	170 184 000	(87 272 015)	
TOTAL ASSETS	294 679 035	204 072 000	(90 607 035)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	1 277 000	1 277 000	
Consumer deposits	1 152 103	1 179 000	26 897	
Trade and other payables	23 884 249	14 866 000	(9 018 249)	Accrued creditors more as anticipated at year end
Provisions and Employee Benefits	10 088 076	3 603 000	(6 485 076)	Current portion of tip site rehabilitation previously not applicable now in effect
Total current liabilities	35 124 427	20 925 000	(14 199 427)	
Non current liabilities				
Borrowing	34 335 935	41 097 000	6 761 065	Borrowing has not realised
Provisions and Employee Benefits	26 386 731	33 211 000	6 824 269	Post Employee Benefits have been reduced-in service employees are now excluded
Total non current liabilities	60 722 666	74 308 000	13 585 334	
TOTAL LIABILITIES	95 847 094	95 233 000	(614 094)	
NET ASSETS	198 831 941	108 839 000	(89 992 941)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	192 855 060	104 715 000	(88 140 060)	Assets previously not measured -correction of error
Reserves	3 976 740	4 124 000	147 260	
TOTAL COMMUNITY WEALTH/EQUITY	196 831 800	108 839 000	87 992 800	

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments (Amounts above R1.5 million)
ASSETS				
Current assets				
Cash	4 199 000	-	4 199 000	
Consumer debtors	10 029 000	-	10 029 000	
Other Receivables	9 955 000	-	9 955 000	
Current portion of long-term receivables		-		
Inventory	9 155 000	550 000	9 705 000	
Total current assets	33 338 000	550 000	33 888 000	
Non current assets				
Long-term receivables	459 000	-	459 000	
Investment property	17 692 000	(15 334 000)	2 358 000	Assets previously recognised as PPE corrected
Property, plant and equipment	251 891 000	(85 022 000)	166 869 000	Assets previously not measured now recognised as PPE
Intangible Assets	-	498 000	498 000	
Heritage Assets	-	-		
Total non current assets	270 042 000	(99 858 000)	170 184 000	
TOTAL ASSETS	303 380 000	(99 308 000)	204 072 000	
LIABILITIES				
Current liabilities				
Borrowing	1 277 000	-	1 277 000	
Consumer deposits	1 021 000	158 000	1 179 000	
Trade and other payables	14 190 000	676 000	14 866 000	
Provisions and Employee Benefits	3 603 000	-	3 603 000	
Total current liabilities	20 091 000	834 000	20 925 000	
Non current liabilities				
Borrowing	41 097 000	-	41 097 000	
Provisions and Employee Benefits	33 211 000	-	33 211 000	
Total non current liabilities	74 308 000	-	74 308 000	
TOTAL LIABILITIES	94 399 000	834 000	95 233 000	
NET ASSETS	208 981 000	(100 142 000)	108 839 000	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	204 857 000	(100 142 000)	104 715 000	Assets first time recognition
Reserves	4 124 000	-	4 124 000	
TOTAL COMMUNITY WEALTH/EQUITY	208 981 000	(100 142 000)	108 839 000	

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (Amounts above R1.5 million)
REVENUE BY SOURCE				
Property rates	21 400 513	22 116 000	715 487	
Service charges	69 746 427	78 430 000	8 683 573	Electricity sales lower
Rental of facilities and equipment	777 167	824 000	46 833	
Interest earned - external investments	527 019	500 000	(27 019)	
Interest earned - outstanding debtors	1 161 418	1 540 000	378 582	
Fines	1 310 479	1 192 000	(118 479)	
Licences and permits	990 881	605 000	(385 881)	
Agency services	1 130 183	1 150 000	19 817	
Government Grants and Subsidies - Operating	26 449 565	31 059 000	4 609 435	Contra with grant Subsidy - Capital expenditure
Other revenue	1 595 148	1 107 000	(488 148)	
Gains on disposal of PPE	394 074		(394 074)	
Total Operating Revenue	125 482 875	138 524 000	13 040 125	
EXPENDITURE BY TYPE				
Employee related costs	49 429 045	54 524 000	5 094 955	Vacancies not filled
Remuneration of councillors	2 766 523	2 775 000	8 477	
Debt impairment	4 164 096	6 290 000	2 125 904	Impairment calculation more accurate executed
Depreciation & asset impairment	7 038 876	13 268 000	6 229 124	
Finance charges	5 181 348	4 775 000	(406 348)	
Actuarial losses	449 176			
Bulk purchases	33 553 188	34 915 000	1 361 812	
Other materials	1 479 000	1 479 000	-	
Grants and subsidies paid	1 246 890	1 330 000	83 110	
Stock Adjustments	177			
Other expenditure	33 496 874	35 823 000	2 326 126	Accounting support and agency fees more as anticipated
Loss on disposal of PPE	12 845	-	(12 845)	
Total Operating Expenditure	138 818 037	155 180 000	(16 361 963)	
Operating Deficit for the year	(13 335 162)	(16 656 000)	3 320 838	
Government Grants and Subsidies - Capital	43 293 349	33 843 000	9 450 349	Contra with grant Subsidy - Operating expenditure and additional DORA allocation
Net Surplus for the year	29 958 187	17 188 000	12 771 187	

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments (Amounts above R1.5 million)
REVENUE BY SOURCE				
Property rates	22 152 000	(36 000)	22 116 000	
Property rates - penalties & collection charges	-	-	-	
Service charges	85 205 000	(6 775 000)	78 430 000	Correction of budget error
Rental of facilities and equipment	757 000	67 000	824 000	
Interest earned - external investments	1 550 000	(1 050 000)	500 000	
Interest earned - outstanding debtors	1 650 000	(110 000)	1 540 000	
Dividends received	-	-	-	
Fines	1 492 000	(300 000)	1 192 000	
Licences and permits	670 000	(65 000)	605 000	
Agency services	1 133 000	17 000	1 150 000	
Government Grants and Subsidies - Operating	31 059 000	-	31 059 000	
Other revenue	1 446 000	(339 000)	1 107 000	
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	147 114 000	-8 591 000	138 524 000	
EXPENDITURE BY TYPE				
Employee related costs	57 713 000	(3 189 000)	54 524 000	Correction of vacancies moratorium
Remuneration of councillors	3 060 000	(285 000)	2 775 000	
Debt impairment	6 290 000	-	6 290 000	
Depreciation & asset impairment	13 268 000	-	13 268 000	
Finance charges	7 887 000	(3 112 000)	4 775 000	Adjustment due to borrowing not realizing
Bulk purchases	32 915 000	2 000 000	34 915 000	Adjustment due to decrease in electricity sales
Other materials	1 025 000	454 000	1 479 000	
Contracted services	-	-	-	
Grants and subsidies paid	1 330 000	-	1 330 000	
Other expenditure	35 824 000	(1 000)	35 823 000	
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	159 313 000	-4 133 000	155 180 000	
Operating Surplus/(Deficit) for the year				
Government Grants and Subsidies - Capital	24 520 000	9 323 000	33 843 000	Additional Grant allocation - DORA
Net Surplus for the year	12 320 000	4 864 000	17 188 000	

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	97 743 021	106 965 000	9 221 979	
Government - operating	26 449 566	31 059 000	4 609 434	
Government - capital	43 293 349	33 843 000	(9 450 349)	
Interest	1 688 437	500 000	(1 188 437)	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(113 507 512)	(129 516 000)	(16 008 488)	
Finance charges	(5 181 348)	(4 775 000)	406 348	
Transfers and Grants	(1 246 890)	(1 330 000)	(83 110)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	49 238 624	36 746 000	(12 492 624)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	394 074	-	(394 074)	
Decrease/(increase) in non-current receivables	56 024	-	(56 024)	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(45 292 283)	(37 879 000)	7 413 283	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(44 842 185)	(37 879 000)	6 963 185	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	536 407	1 000 000	463 593	
Increase/(decrease) in consumer deposits	50 444	-	(50 444)	
Payments				
Repayment of borrowing	(1 742 796)	(1 341 000)	401 796	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-1 155 945	(341 000)	814 945	
NET INCREASE/(DECREASE) IN CASH HELD	3 240 494	-1 474 000	(4 714 494)	
Cash and Cash Equivalents at the beginning of the year	5 670 357	5 671 000	643	
Cash and Cash Equivalents at the end of the year	5 019 646	4 197 000	(822 646)	

SWELLENDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	114 505 000	(7 540 000)	106 965 000	
Government - operating	31 059 000	-	31 059 000	
Government - capital	24 520 000	9 323 000	33 843 000	
Interest	1 550 000	(1 050 000)	500 000	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(130 538 000)	1 022 000	(129 516 000)	
Finance charges	(7 887 000)	3 112 000	(4 775 000)	
Transfers and Grants	(1 330 000)	-	(1 330 000)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	31 879 000	4 867 000	36 746 000	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(58 685 000)	20 806 000	(37 879 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(58 685 000)	20 806 000	(37 879 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	33 010 000	(32 010 000)	1 000 000	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(5 302 000)	3 961 000	(1 341 000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	27 708 000	-28 049 000	-341 000	
NET INCREASE/(DECREASE) IN CASH HELD	902 000	(2 376 000)	(1 474 000)	
Cash and Cash Equivalents at the beginning of the year	5 671 000	-	5 671 000	
Cash and Cash Equivalents at the end of the year	6 573 000	(2 376 000)	4 197 000	

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
2	NET ASSET RESERVES		
	Housing Development Fund	3 976 740	4 124 427
	Total Net Asset Reserves	3 976 740	4 124 427
3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	35 671 936	37 246 854
	Capitalised Lease Liability - At amortised cost	499 804	1 636
	Hire Purchases Liability	164 336	293 975
		36 336 076	37 542 465
	Current Portion transferred to Current Liabilities	2 000 141	1 708 405
	Annuity Loans - At amortised cost	1 687 656	1 577 130
	Capitalised Lease Liability - At amortised cost	167 125	1 636
	Hire Purchases	145 360	129 639
		34 335 935	35 834 060
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	34 335 935	35 834 060
	Annuity loans at amortised cost consist of 9 contracts with DBSA, calculated at interest rates, ranging between 8.075% and 15.9%, with a maturity date of 30 June 2015 of the last contract. The loans are unsecured.		
	The obligations under annuity loans are scheduled below		
		Minimum annuity payments	
	Amounts payable under annuity loans:		
	Payable within one year	5 596 869	5 664 298
	Payable within two to five years	21 268 304	22 339 187
	Payable after five years	47 239 382	52 460 538
		74 104 555	80 464 023
	Less: Future finance obligations	(38 432 619)	(43 217 169)
	Present value of annuity obligations	35 671 937	37 246 854
	The obligations under finance leases are scheduled below:		
		Minimum lease payments	
	Amounts payable under finance leases:		
	Payable within one year	203 197	1 776
	Payable within two to five years	359 505	-
	Payable after five years	-	-
		562 702	1 776
	Less: Future finance obligations	(62 898)	(140)
	Present value of lease obligations	499 804	1 636
	Leases are secured by property, plant and equipment - Note 12		
	The capitalised lease liability consist out of the contracts as set out in Appendix B		
	The obligations under hire purchase agreements are scheduled below		
		Minimum Hire Purchase payments	
	Amounts payable under hire purchase agreements:		
	Payable within one year	155 302	155 302
	Payable within two to five years	19 068	174 370
	Payable after five years	-	-
		174 370	329 672
	Less: Future finance obligations	(10 034)	(35 697)
	Present value of hire purchase obligations	164 336	293 975
4	EMPLOYEE BENEFITS	2013 R	2012 R
	Post Retirement Benefits - Refer to Note 4.1	6 774 477	6 809 951
	Long Service Awards - Refer to Note 4.2	1 978 881	1 496 299
	Total Non-current Employee Benefit Liabilities	8 753 359	8 306 250

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<u>Post Retirement Benefits</u>		
Balance 1 July	7 295 231	6 916 342
Contribution for the year	-	
Interest Cost	495 677	557 238
Expenditure for the year	(524 278)	(494 468)
Actuarial Loss/(Gain)	13 745	316 119
Total post retirement benefits 30 June	7 280 375	7 295 231
<u>Less:</u> Transfer of Current Portion - Note 7	(505 898)	(485 280)
Balance 30 June	6 774 477	6 809 951
<u>Long Service Awards</u>		
Balance 1 July	1 636 016	1 639 367
Contribution for the year	200 898	268 974
Interest Cost	101 978	116 179
Expenditure for the year	(148 712)	(300 653)
Actuarial Loss/(Gain)	435 431	(87 851)
Total long service 30 June	2 225 611	1 636 016
<u>Less:</u> Transfer of Current Portion - Note 7	(246 730)	(139 717)
Balance 30 June	1 978 881	1 496 299

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	8 931 247	8 555 709
Contribution for the year	200 898	268 974
Interest cost	597 655	673 417
Expenditure for the year	(672 989)	(795 121)
Actuarial Loss/(Gain)	449 176	228 268
Total employee benefits 30 June	9 505 987	8 931 247
Less: Transfer of Current Portion - Note 7	(752 628)	(624 997)
Balance 30 June	8 753 359	8 306 250

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members		
In-service (employee) non-members		
Continuation members (e.g. Retirees, widows, orphans)	17	18
Total Members	17	18

The liability in respect of past service has been estimated to be as follows:

In-service members		
Continuation members	7 280 375	7 295 231
Total Liability	7 280 375	7 295 231

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
In-service members	-	-	-
Continuation members	6 916 342	6 448 323	6 382 717
Total Liability	6 916 342	6 448 323	6 382 717

Experience adjustments were calculated as follows:

	2013 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	0.0320	(0.258)	0.0320
Assets: Gain / (loss)			-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Keyhealth.

Key actuarial assumptions used:

	2013 %	2012 %
i) Rate of interest		
Discount rate	7.69%	7.02%
Health Care Cost Inflation Rate	7.11%	6.67%
Net Effective Discount Rate	0.53%	0.33%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 774 477	6 809 951
Total Liability	6 774 477	6 809 951

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7 295 231	6 916 342
Total expenses	(28 601)	62 770
Current service cost	-	-
Interest Cost	495 677	557 238
Benefits Paid	(524 278)	(494 468)
Actuarial (gains)/losses	13 745	316 119
Present value of fund obligation at the end of the year	7 280 375	7 295 231
Less: Transfer of Current Portion - Note 7	(505 898)	(485 280)
Balance 30 June	6 774 477	6 809 951

Sensitivity Analysis on the Accrued Liability

Assumption	Continuation members liability (Rm)	% change
Central Assumptions	7.280	

The effect of movements in the assumptions are as follows:

Assumption	Change	Continuation members liability (Rm)	% change
Health care inflation	1%	8.080	11%
Health care inflation	-1%	6.590	-9%
Post-retirement mortality	-1 year	7.581	4%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		-	495 700	495 700	
Health care inflation	1%	-	554 100	554 100	12%
Health care inflation	-1%	-	445 400	445 400	-10%
Post-retirement mortality	-1 year	-	516 900	516 900	4%
				2013	2012

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses	238	208
Key actuarial assumptions used:	2013 %	2012 %

i) Rate of interest

Discount rate	7.34%	6.51%
General Salary Inflation (long-term)	6.82%	5.96%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.49%	0.52%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2 225 611	1 636 016
Net liability	2 225 611	1 636 016

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Total Liability	1 639 367	888 137	775 035

Experience adjustments were calculated as follows:	2013	2012	2011
Liabilities: (Gain) / loss	546 207	188 576	417 983
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 636 016	1 639 367
Total expenses	154 164	84 500
Current service cost	200 898	268 974
Interest Cost	101 978	116 179
Benefits Paid	(148 712)	(300 653)
Actuarial (gains)/losses	435 431	(87 851)
Present value of fund obligation at the end of the year	2 225 611	1 636 016
Less: Transfer of Current Portion - Note 7	(246 730)	(139 717)
Balance 30 June	1 978 881	1 496 299

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.226	
General salary inflation	1%	2.378	7%
General salary inflation	-1%	2.088	-6%
Average retirement age	-2 yrs	1.822	-18%
Average retirement age	2 yrs	2.580	16%
Withdrawal rates	-50%	2.679	20%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

	2013 R	2012 R
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).		
Contributions paid recognised in the Statement of Financial Performance	3 310 710	2 753 733

DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	105 519	109 849
SAMWU National Provident Fund	1 661 076	1 589 210

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		1 766 595	1 699 059
		2013	2012
		R	R
5 NON-CURRENT PROVISIONS			
Provision for Rehabilitation of Landfill-sites		17 633 373	17 563 146
<u>Landfill Sites</u>			
Balance 1 July		22 121 491	21 068 087
Unwinding of discounted interest		361 375	1 053 404
Total provision 30 June		22 482 866	22 121 491
Less: Transfer of Current Portion to Current Provisions - Refer to note 8		(4 849 493)	(4 558 345)
Balance 30 June		17 633 373	17 563 146

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Malgas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Area (m²)	28500m²	117658m²	4200m²	4355m²	4355m²
Rehabilitation area (m²)	28500m²	34400m²	4200m²	4355m²	4355m²
Available capacity	0%	70.70%	0%	0%	0%
Engineering Design	300192.06	2140048.63	44 239	72 683	60 081
Assesment Process -Permit for closure	207262	207262	207 262	207 262	207 262
Shape Landfill	295348.35	450794.85	43 525	45 131	59 111
Capping System	1329067.6	8565102.15	195 863	203 091	266 000
Stormwater Drainage		244154.64			
Leachate Control		2024949.74			
Fencing		295348.35		145 083	134 720
Preliminary and General	324883.19	2316069.95	47 878	78 661	65 022
Contingencies	194929.91	1389641.97	28 727	47 197	39 013

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2013</u>	<u>Cost of rehabilitation 2012</u>
			R
Malgas	2013	2 651 683	2 558 774
Swellendam	2028	17 633 372	17 015 538
Infanta	2013	567 492	547 608
Suurbraak	2013	799 108	1 327 486
Barrydale	2013	831 210	672 085
		22 482 866	22 121 491

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6 CONSUMER DEPOSITS

Water & Electricity	1 152 103	1 101 659
Total Consumer Deposits	1 152 103	1 101 659
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	505 898	485 280
Current Portion of Long-Service Provisions - Note 4	246 730	139 717
Provision for Staff Leave	3 194 359	2 200 418
Staff Bonuses accrued	962 824	868 369
Provision for Pension fund shortages	328 772	215 906
Total Current Employee Benefits	5 238 583	3 909 690

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	2 200 418	2 077 386
Contribution to current portion	1 279 962	578 275
Expenditure incurred	(286 021)	(455 243)
Balance at end of year	3 194 359	2 200 418

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued

Balance at beginning of year	868 369	815 155
Contribution to current portion	2 230 577	1 864 027
Expenditure incurred	(2 136 122)	(1 810 813)
Balance at end of year	962 824	868 369

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Provision for Pension fund shortages

Balance at beginning of year	215 906	215 906
Contribution to current portion	112 866	-
Expenditure incurred	-	-
Balance at end of year	328 772	215 906

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4	(4 849 493)	(4 558 345)
Total Provisions	(4 849 493)	(4 558 345)

9 PAYABLES FROM EXCHANGE TRANSACTIONS

	2013	2012
	R	R
Trade Payables	8 862 261	7 757 721
Accrued interest	698 658	709 505
Pre-Paid Electricity	290 660	253 805
Retentions and Guarantees	3 766 092	2 217 735
Other: Deposits	579 024	488 444
Debtors paid in advance and unallocated	3 065 660	3 355 292
Other payables	3 589 195	777 447
	-	-
	-	-
Total Trade Payables	20 851 550	15 559 949

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants

National Government Grants
Provincial Government Grants
District Municipality
Other Grant Providers

3 032 698

6 862 759

-	2 120 481
2 932 346	4 641 926
-	
100 352	100 352

Less: Unpaid Grants

National Government Grants
Provincial Government Grants
District Municipality
Other Grant Providers

-	-
-	
-	
-	

Total Conditional Grants and Receipts

3 032 698

6 862 759

Reconciliation of total grants and receipts

Balance previously reported

(4 424 756)

Correction of error - Refer to note 37.1

(583 962)

(5 008 718)

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 TAXES

11.1 VAT PAYABLE

VAT Payable
VAT output in suspense
Total Vat payable

-	-
-	-
-	-

11.2 VAT RECEIVABLE

VAT input in suspense
Total VAT receivable

1 334 928	4 104 862
1 334 928	4 104 862

11.3 NET VAT RECEIVABLE/(PAYABLE)

1 334 928	4 104 862
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VAT is receivable/payable on the cash basis.

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
12 Assets pledged as security:		
All the assets obtained by financial leases are pledged as security		
Carrying value of these assets :	502 450	1 234
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost	<u>12 845</u>	<u>-</u>
Surplus/Deficit	<u>12 845</u>	<u>-</u>
Impairment of property plant and equipment for the year:		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Infrastructure	3 507	-
	<u>3 507</u>	<u>-</u>
Effect of changes in accounting estimates		
	2011 R	2012 R
		2013 R
Effect on Property, plant and equipment	<u>-</u>	<u>-</u>
		<u>11 393</u>

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	25 333 658	25 352 878
Cost	25 403 835	25 403 835
Under Construction		
Accumulated Depreciation	(70 178)	(50 958)
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	-	-
Depreciation for the year	(19 167)	(19 220)
Impairment	-	-
Transfers from Inventory	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	25 314 491	25 333 658
Cost	25 403 835	25 403 835
Accumulated Depreciation	(89 344)	(70 178)
Accumulated Impairment	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	777 167	950 366
Operating expenditure incurred on properties generating revenue	1 489 057	1 790 628

	2013 R	2012 R
14 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	81 441	106 059
Cost	334 372	327 377
Accumulated Amortisation	(252 930)	(221 318)
Accumulated Impairment		
Additions	10 763	6 995
Amortisation	(36 968)	(31 612)
Impairments	-	-
Disposals	-	-
Net Carrying amount at 30 June	55 237	81 441
Cost	345 135	334 372
Accumulated Amortisation	(289 898)	(252 930)
Accumulated Impairment	-	-

The following material intangible assets are included in the carrying value above

	<u>Remaining Amortisation</u> <u>Period</u>	2013 R	2012 R
<u>Description</u>			
Microsoft Office and Windows software	5	55 237	81 441

No intangible asset assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2013 R	2012 R
15 HERITAGE ASSETS		
Net Carrying amount at 1 July	3 392 205	3 392 205
Acquisitions	61 144	-

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Disposals	-	-
Impairments	-	-
Reversal of Impairment losses	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	3 453 349	3 392 205
Cost	3 453 349	3 392 205
Accumulated Impairment	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

16 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	2 706 202	2 957 172
Depreciation	(243 158)	(244 758)
Impairment	(44 989)	(6 213)
Net Carrying amount at 30 June	2 418 055	2 706 202
Cost..	7 096 327	7 096 327
Accumulated Depreciation..	(4 501 264)	(4 258 106)
Accumulated Impairments..	(177 010)	(132 021)

Refuse tip-sites financed by way of a provision recognised previously not recognised - Refer to note 1

2 418 055	2 706 202
------------------	------------------

17 LONG-TERM RECEIVABLES

	2013	2012
Plots sold	-	-
Capital Individual Loans	-	1 484
Housing Loan Scheme	347 565	402 105
	347 565	403 589
Less: Current portion transferred to current receivables	61 283	45 199
Capital Individual Loans	-	742
Housing Loan Scheme	61 283	44 457
	286 282	358 390
Less: Provision for Impairment	-	-
Total Long Term Receivables	286 282	358 390

The carrying amount of these assets approximates their fair value

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CAPITAL INDIVIDUAL LOANS

Sport organisation individual loans are not granted to officials of the municipality. The outstanding amount relates to prior year loans to Sport organisations and are still collectable. Sport organisation individual loans attract interest at average 6,5% per annum and are repayable over a maximum period of 10 years. These loans are redeemed June 2013. The capital individual loans are secured over the improvement of municipal sport facilities.

HOUSING LOAN SCHEME

The outstanding amount relates to prior years and is still collectable. Housing loans attract interest at average 7% per annum and which are repayable over a maximum period of 20 years. These loans are redeemed June 2013. The housing loans are secured over the asset.

18 INVENTORY

Consumable Stores - Stationery and materials - At cost	1 172 973	1 080 167
Water – at cost	26 111	23 765
Unsold Plots - At cost	16 264 000	16 264 000
Total Inventory	17 463 084	17 367 933

Consumable stores materials written down due to losses as identified during the annual stores counts.	177	71 599
---	-----	--------

Consumable stores materials surpluses identified during the annual stores counts.	-	-
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Inventory recognised as an expense during the year	806 222	686 231
--	---------	---------

No inventory assets were pledged as security for liabilities.

19 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	9 199 758	10 250 628
Water	4 996 835	7 388 155
Refuse	3 135 942	4 743 036
Sewerage	5 228 304	7 168 294
Rentals	256 305	352 089
Sundry Receivables	1 543 230	6 548 985
Total Receivables from Exchange Transactions	24 360 374	36 451 187
Less: Allowance for Doubtful Debts	(16 160 832)	(26 161 710)
Total Net Receivables from Exchange Transactions	8 199 543	10 289 477

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	4 641 185	4 394 123
31 - 60 Days	460 146	930 858
61 - 90 Days	227 291	344 071
+ 90 Days	3 871 136	4 581 577
Total	9 199 758	10 250 628

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(Water): Ageing

Current (0 - 30 days)	1 260 235	785 039
31 - 60 Days	280 468	294 773
61 - 90 Days	176 038	237 423
+ 90 Days	3 280 094	6 070 920
Total	4 996 835	7 388 155

(Refuse): Ageing

Current (0 - 30 days)	816 894	383 814
31 - 60 Days	117 090	189 967
61 - 90 Days	108 767	110 973
+ 90 Days	2 093 192	4 058 282
Total	3 135 942	4 743 036

(Sewerage): Ageing

Current (0 - 30 days)	1 378 298	643 388
31 - 60 Days	199 803	284 468
61 - 90 Days	151 932	195 776
+ 90 Days	3 498 271	6 044 661
Total	5 228 304	7 168 294

(Rentals): Ageing

Current (0 - 30 days)	34 306	12 580
31 - 60 Days	13 294	95 342
61 - 90 Days	9 392	8 241
+ 90 Days	199 314	235 926
Total	256 305	352 089

(Sundry): Ageing

Current (0 - 30 days)	213 411	767 920
31 - 60 Days	27 933	374 720
61 - 90 Days	28 873	236 001
+ 90 Days	1 273 013	5 170 344
Total	1 543 230	6 548 985

(Total): Ageing

Current (0 - 30 days)	8 344 329	6 986 864
31 - 60 Days	1 098 733	2 170 128
61 - 90 Days	702 293	1 132 485
+ 90 Days	14 215 019	26 161 710
Total	24 360 374	36 451 187

Reconciliation of Provision for Bad Debts

Balance at beginning of year	26 161 710	24 389 977
Contribution to provision/(Reversal of provision)	2 711 872	1 771 733
Bad Debts Written Off	(12 712 750)	
Balance at end of year	16 160 832	26 161 710

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013 R	2012 R
Rates	16 331 051	15 667 102
Other Receivables	2 886 030	3 131 949
Suspense Debtors	2 886 030	3 131 949
Total Receivables from Non-Exchange Transactions	19 217 081	18 799 052
Less: Allowance for Doubtful Debts	(14 074 767)	(13 227 249)
Total Net Receivables from Non-Exchange Transactions	5 142 314	5 571 803

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Refer to note 17 for balances deferred beyond 12 months from year end

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	3 053 790	1 341 270
31 - 60 Days	412 399	684 076
61 - 90 Days	287 759	414 507
+ 90 Days	12 577 103	13 227 250
Total	16 331 051	15 667 102

Reconciliation of Provision for Bad Debts

Balance at beginning of year	13 227 249	13 513 332
Contribution to provision/(Reversal of provision)	1 785 261	505 088
Bad Debts Written Off	(937 743)	(791 170)
Balance at end of year	14 074 767	13 227 249

The entire provision for bad debts relates to the outstanding rates balance

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

21 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

Balance on 1 July	1 830	1 498
Movement during the year	391	332
Balance on 30 June	2 221	1 830

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	24 561	26 082
1 to 5 Years	53 605	62 733
More than 5 Years	19 871	25 037
Total Operating Lease Arrangements	98 036	113 852

This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until 2020

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	1 127 493	-
Bank Accounts	3 888 703	5 668 207
Cash Floats	3 450	2 150
Total Cash and Cash Equivalents - Assets	5 019 646	5 670 357

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Bank overdraft facility of R1 400 000 exists at FNB.

The municipality has the following bank accounts:

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Current Accounts

Fist National Bank- Swellendam- Account number 53840005730-(Primary Account)
 ABSA - Barrydale- Account Number 2390560039

Current Accounts

Cash book balance at beginning of year	5 668 207	2 100 097
Cash book balance at end of year	<u>3 888 703</u>	<u>5 668 207</u>
Bank statement balance at beginning of year	13 739 557	14 498 324
Bank statement balance at end of year	<u>9 461 290</u>	<u>13 739 557</u>

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Standard Bank	(account nr 288800699)	1 123 947	-
FNB	(account nr 62405165839)	<u>3 547</u>	-
		<u>1 127 493</u>	-

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
23	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	31 671 752	29 153 754
	Rateable Land and Buildings	31 671 752	29 153 754
	Less: Rebates	(10 271 239)	(9 759 562)
	Total Assessment Rates	21 400 513	19 394 192
	<u>Valuations - 1 JULY 2009 (Plus Interim Valuations)</u>		
	Rateable Land and Buildings		
	Rural Areas	1 573 474 369	1 573 474 369
	Residential Areas	3 556 196 639	3 194 124 739
	Commercial and Industrial Areas	25 944 100	259 441 000
	Government and Municipal Building Clause	104 210 500	104 210 500
		2 540 806	2 540 806
	Total Assessment Rates	5 262 366 414	5 133 791 414
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rates:		
	Residential	0.64801c/R	0.6056c/R
	Commercial	0.64801c/R	0.6056c/R
	Agricultural	0.16200c/R	0.1514c/R
	Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
24	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	18 428 000	16 648 000
	Equitable Share	18 428 000	16 648 000
	Conditional Grants	51 314 914	22 930 325
	Grants and donations	51 314 914	22 930 325
	Subsidies	-	-
	Total Government Grants and Subsidies	69 742 914	39 578 325
	Government Grants and Subsidies - Capital	43 293 349	16 843 010
	Government Grants and Subsidies - Operating	26 449 565	22 735 315
		69 742 914	39 578 325
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	18 428 000	16 648 000
	Community Services	11 335 213	3 658 142
	Engineers Service	36 997 693	17 232 183
	Finance Service	2 982 008	2 040 000
		69 742 914	39 578 325
	The municipality does not expect any significant changes to the level of grants		
24.1	Equitable share		
	Opening balance	-	-
	Grants received	18 428 000	16 648 000
	Conditions met - Operating	(18 428 000)	(16 648 000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
24.2	Expanded Public Works Program (EPWP)		
	Opening balance	262 000	-
	Grants received	1 000 000	262 000
	Conditions met - Operating	(1 262 000)	-
	Conditions met - Capital	-	-
	Conditions still to be met	-	262 000

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Health subsidies was used fund primary health care services in the municipal area.

24.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 250 000)	(1 250 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.4 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	800 000	790 000
Conditions met - Operating	(800 000)	(790 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

24.5 Municipal Infrastructure Grant (MIG)

Opening balance	-	583 807
Grants received	11 125 000	9 172 000
Paid back to National Treasury	-	(601 000)
Conditions met - Operating	(654 650)	(458 600)
Conditions met - Capital	(10 470 350)	(8 696 207)
Grant expenditure to be recovered	-	-

The grant was used to upgrade infrastructure in previously disadvantaged areas.

24.6 Housing Grants

Opening balance	3 328 776	2 245 742
Grants received	6 947 853	2 875 403
Conditions met - Operating	-	(1 752 442)
Conditions met - Capital	(9 364 517)	(39 926)
Grant expenditure to be recovered	912 113	3 328 776

Housing grants was utilised for the development of erven and the erection of top structures.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24.7 Integrated National Electrification Grant

Opening balance	1 858 481	-
Grants received	-	2 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(1 858 481)	(141 519)
Conditions still to be met	-	1 858 481

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

24.8 Other Grants

Opening balance	1 413 502	8 522 008
Grants received	26 362 000	2 852 000
Interest received on Investments	-	3 510
Grants paid back to National Treasury	-	(165 181)
Conditions met - Operating	(4 054 916)	(1 833 478)
Conditions met - Capital	(21 600 000)	(7 965 357)
Conditions still to be met	2 120 586	1 413 502

24.9 Total Grants

Opening balance	6 862 759	11 351 557
Grants received	65 912 853	35 849 403
Interest received on Investments	-	3 510
Grants paid back to National Treasury	-	(766 181)
Conditions met - Operating	(26 449 566)	(22 732 520)
Conditions met - Capital	(43 293 349)	(16 843 009)
Conditions still to be met/(Grant expenditure to be recovered)	3 032 698	6 862 759

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	3 032 698	6 862 759
	3 032 698	6 862 759

25 SERVICE CHARGES

Electricity	48 617 677	47 173 571
Water	9 587 641	9 304 716
Refuse removal	6 133 468	6 151 047
Sewerage and Sanitation Charges	11 276 651	10 842 068
Other	16 820	56 281
	75 632 257	73 527 683
Less: Rebates	(5 885 830)	(5 886 984)
Total Service Charges	69 746 427	67 640 699

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26 OTHER INCOME

Building Plans	477 816	474 375
Development Contribution	96 085	119 186
Hawkers Fees	16 849	43 120
Rezoning	153 690	126 006
Other	850 707	280 084
Total Other Income	1 595 148	1 042 772

Sundry income represents sundry income such as building plans, sale of sundry items and fees for items not included under service charges (camping, fire brigade and impounding fees)

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

27

EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	31 629 265	27 601 301
Employee related costs - Contributions for UIF, pensions and medical aids	7 821 443	6 708 479
Travel, motor car, accommodation, subsistence and other allowances	3 639 262	3 009 650
Housing benefits and allowances	233 065	224 295
Overtime Payments	2 394 574	2 295 808
Long Service Awards	200 898	268 974
Post Retirement Medical	-	-
Performance bonuses	-	-
Bonus	2 230 576	1 864 027
Staff Leave	1 279 962	578 275
	<hr/>	<hr/>
Less: Employee Costs allocated elsewhere	49 429 045	42 550 809
	<hr/>	<hr/>
Total Employee Related Costs	49 429 045	42 550 809
	<hr/>	<hr/>

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - M N Nel

Annual Remuneration	605102	698 961
Car Allowance	110336	142 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	119936.8	135 982
	<hr/>	<hr/>
Total	835 375	976 943
	<hr/>	<hr/>

Remuneration of the Director Engineering Services - Mr EJ Wentzei
(Period July - September 2012) - Vacancy since September until June 2013:

Annual Remuneration	150 661	602 645
Travelling Allowance	36 488	147 068
Contributions to UIF, Medical, Pension Funds and Bargaining Council	9 470	36 557
	<hr/>	<hr/>
Total	196 619	786 270
	<hr/>	<hr/>

Remuneration of the Director Community Services- Dr WB Clayton (Until July 2012,
(Period August-October Vacant) Since November -June 2013- MJ J Marthinus

Annual Remuneration	541 935	427 604
Travelling Allowance	82 810	120 250
Contributions to UIF, Medical, Pension Funds and Bargaining Council	107 603	30 772
	<hr/>	<hr/>
Total	732 348	578 626
	<hr/>	<hr/>

Remuneration of the Director Financial Services - Mr H Krapohl

Annual Remuneration	528 486	519 780
Car Allowance	152 370	156 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	110 946	108 959
	<hr/>	<hr/>
Total	791 802	784 739
	<hr/>	<hr/>

Remuneration of the Director Corporate Services

(Period July-October Vacant) Since November-June 2013 - Mr D du Plessis

Annual Remuneration	412 388	-
Car Allowance	45 500	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	71 659	-
	<hr/>	<hr/>
	529 547	-
	<hr/>	<hr/>

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

28 REMUNERATION OF COUNCILLORS

Executive Mayor allowance	563 617	563 617
Deputy Executive Mayor allowance	446 753	441 019
Speaker allowance	454 483	455 979
Mayoral Committee Members allowances	427 200	427 200
Councillors allowances	874 470	900 034
Total Councillors' Remuneration	2 766 523	2 787 849

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

29 DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 19	2 711 872	1 771 733
Trade Receivables from non-exchange transactions - Note 20	1 785 261	505 088
Total Contribution to Debt Impairment	4 497 133	2 276 821

30 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	6 691 087	5 791 782
Investment Property	19 167	19 220
Intangible Assets	36 968	31 612
Landfill Sites	243 158	244 758
Total	6 990 380	6 087 373

31 IMPAIRMENTS

Landfill Sites	44 989	6 213
Property Plant & Equipment	3 507	-
Total	48 496	6 213

32 FINANCE CHARGES

Long-term Liabilities	4 073 365	4 235 907
Finance leases	10 425	2 029
Hire Purchases	25 663	39 780
Post Employment Health	495 677	557 238
Landfill Sites	361 375	1 053 404
Pensionfund shortfall	112 866	-
Long service awards	101 978	116 179
Total finance charges	5 181 348	6 004 538

33 BULK PURCHASES

Electricity	33 553 188	30 560 116
Total Bulk Purchases	33 553 188	30 560 116

34 GRANTS AND SUBSIDIES

Swellendam Tourism	999 390	950 000
Lower Breede River Conservancy	247 500	300 000
Total Grants and Subsidies	1 246 890	1 250 000

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35 OPERATING GRANT EXPENDITURE

Operating Grant Expenditure

Corporate Services	-	-
Community Services	346 568	2 131 033
Engineers Service	-	-
Municipal Manager	2 088 167	-
Finance Service	2 055 923	1 789 474

Total Operating grant expenditure

4 490 658	3 920 507
------------------	------------------

36 GENERAL EXPENSES

	2013	2012
	R	R
Accounting Support	1 696 444	-
Audit Fees	3 011 127	3 157 519
Agency Fees	1 404 333	426 789
Bank Charges	485 868	536 508
Contractor Fees	251 680	281 235
Insurance	453 767	642 504
Legal Fees	1 033 278	715 850
Machinery Hire	712 608	466 916
Material & Stock	1 452 770	1 090 456
New Connections	212 660	205 303
Postage	562 204	481 641
Refuse bags	193 274	199 260
Rentals	211 811	154 398
Security	837 442	497 925
Stationery and Printing	580 759	508 618
Stormwater drainage	324 993	239 277
Subscription Fees	11 250	440 784
Subsistence and Travel	457 109	342 793
Telephone	1 207 546	1 042 025
Training	753 070	475 574
Workmens Compensation	681 746	338 525
Other	2 042 444	2 565 919
General Expenses	18 578 183	14 809 818

37 CORRECTION OF ERROR IN TERMS OF GRAP 3

2012
R

2011
R

Prior year adjustments due to non-compliance with accounting policy and error:

- 37.1 (i)** Four vehicles previously bought on hire purchase contracts with Westbank were capitalized but the long-term liability was not created. The applicable instalments were previously allocated as rentals. This error is now retrospectively corrected with the following entries :
(Dt) Acc Surplus : Prior years and (Ct) Long-term Liabilities : Hire Purchase Liabilities with R583962 which is the original value of the hire purchase
(Dt) Long-term Liabilities : Hire Purchases Liabilities, and (Ct) Acc Surplus : Prior years with R174465.10 which is the redemption for the period July 2009 until June 2011. (Dt) Long-term Liabilities : Hire Purchases , and (Ct) Acc Surplus: Current year with R115521.74 which is the redemption for the period July 2011 until June 2012. The interest portion amounted to R39780.34 previously reported as general expenditure is reclassified as finance charges for 2011/12 financial year
- (ii)** The latest engineers report regarding the value of the cost to rehabilitate the municipal refill site indicated that the usefull life period of the site was incorrectly calculated in the previous year's calculations. This error is now corrected with the following entries
(Dt) Capitalized Restoration Cost : Acc Depreciation ; R2013192.93, and (Ct) Acc Surplus : Prior years : R1922313.2 and Acc Surplus Current year (Depreciation) R90879.73
- (iii)** Council resolved (Resolution A2233) to write-off previous year amounts which was recommended by the auditors
This is now rectified with the following entries : (Dt) Payables from exchange transactions - R4507562.73, (Ct) Receivables from non-exchange transactions R476156.2, (Ct) Long Term Receivables R55038.36 and, (Ct) Accumulated Surplus - Prior years - R3976368.17
- (iv)** With the 2011/12 Financial year's audit (Comaf 52) it was found that adjustments were made in the 2012/13 Financial year for stock adjustments which were applicable in the 2011/12 Financial year. The overstated balance of the Inventory is now corrected with the following entries : (Dt) Acc Surplus Current year R71599.13 (Stock adjustments) (Ct) Inventory R71599.13
- (v)** With the 2011/12 Financial year's audit, an over and understatement was found in Payables from Exchange Transactions and Unspent Government Grants with a netto effect amounted to R475006.27 .This error is now corrected with the following entries:(Ct) Unspent Government Grants R475006.27 -(Housing Projects (Dt) 51993.73, (Ct) Road Subsidy - R527000) and (Dt) Payables from Exchange transactions (Retentions R163713.73 (Ct), Unknown Deposits R638700 (Dt))
- (vi)** With the 2011/12 Financial years audit it was found that a prior year's audit finding for VAT was still not corrected. This error is now rectified retrospectively with the following entries: (Ct) Acc Surplus -prior years R62516.35, and (Dt) VAT R62516.35
- (vii)** First time recognition of assets after the asset count and a property reconciliation between the asset register and the deeds office information
This is now capitalized retrospectively to 01 July 2008 as a correction of error with the following entries : (Dt) Heritage assets R657000
(Dt) PPE - Community Assets R339919.55, (Dt) PPE-Land and Buildings R426010.84, PPE - Other Assets R474079.09, (Dt) Investment Property with R5093511.44, and (Ct) Acc Surplus - Prior years -R6990520.92
- (viii)** Re- allocation of assets due to a change in accounting policy is restated since 01 July 2008 with the following entries : (Dt) Heritage Asset: with R 2735205 and (Ct) Investment Assets with R2012000 and (Ct) PPE- Community Assets with R 723205

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- (ix) Re-allocation of Investment Properties due to a previous error to PPE retrospectively since 01 July 2008, with the following entries :
 ((Dt) Investment Properties with R1034000 , and (Ct) PPE - Land and Buildings with R1034000
- (x) Due to the First time recognition of assets and errors as set out in note (vii) above, the accumulated depreciation is rectified retrospectively with the following entries : (Ct) Accumulated Depreciation - PPE with R136541, and (Dt) Accumulated Surplus - Prior years R 77686 and Acc Surplus - current year R57079
- (xi) Correction of the depreciation on Investment Properties due to first time recognition and errors as setout in note (vii) above. This is rectified with the following entries : (Ct) Acc Surplus -Prior years R35746.62 and Acc Surplus- Current year R11959.11 and (Dt) Acc Depreciation with R47705.73

The above note 37.1 representing the narratives of the following Corrections of Errors as set out from notes 37.2 to 37.13

37.2 Accumulated Surplus	2012	2011
	R	R
Balance previously reported	150 159 221	147 194 355
Correction of Longterm Liabilities - see note 37.1.(i)	(583 962)	(583 962)
Correction of Longterm Liabilities - see note 37.1.(i)	174 465	174 465
Correction of Longterm Liabilities - see note 37.1.(i)	115 522	
Correction of Capitalized Restoration Cost - see note 37.1.(ii)	1 922 313	1 922 313
Correction of Capitalized Restoration Cost - see note 37.1.(ii)	90 880	
Correction of Payables from exchange transactions-see note 37.1.(iii)	4 507 563	4 507 563
Correction of Receivables from non-exchange transactions -see note 37.1.(iii)	(476 156)	(476 156)
Correction of Longterm Receivables - see note 37.1.(iii)	(55 038)	(55 038)
Correction of Inventory - see note 37.1.(iv)	(71 599)	
Correction of Vat - see note 37.1.(vi)	62 516	62 516
Correction of PPE -see note 37.1.(vii)	1 240 009	1 240 009
Correction of Heritage Assets-see note 37.1.(vii)	657 000	657 000
Correction of Investment Properties- see Note 37.1.(vii)	5 093 511	5 093 511
Correction of Accumulated Depreciation- PPE- see Note 37.1.(x)	(134 765)	(77 686)
Correction of Accumulated Depreciation- Investment Properties- see Note 37.1.(xi)	47 706	35 747
Restated balance	162 749 186	159 694 637

37.3 Longterm Liabilities - Hire Purchases	R	R
Balance previously reported	-	-
Correction of Longterm Liabilities - see note 37.1.(i)	583 962	583 962
Correction of Longterm Liabilities - see note 37.1.(i)	(174 465)	(174 465)
Correction of Longterm Liabilities - see note 37.1.(i)	(115 522)	
Restated balance	293 975	409 497

37.4 Capitalized Restoration Cost : Accumulated Depreciation	R	R
Balance previously reported	6 271 299	5 935 660
Correction of Depreciation - see note 37.1.(ii)	(1 922 313)	(1 922 313)
Correction of Depreciation- see note 37.1.(ii)	(90 880)	
Restated balance	4 258 106	4 013 347

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

37.5	Payables from Exchange Transactions		
	Balance previously reported	R	R
	Correction - see note 37.1.(iii)	20 542 518	14 820 101
	Correction - see note 37.1.(v)	(4 507 563)	(4 507 563)
	Restated balance	(475 006)	(475 006)
		15 559 949	10 312 538
37.6	Receivables from non-exchange transactions		
	Balance previously reported	R	R
	Correction - see note 37.1.(iii)	19 275 208	20 721 595
	Restated balance	(476 156)	(476 156)
		18 799 052	20 245 439
37.7	Long-Term Receivables		
	Balance previously reported	R	R
	Correction - see note 37.1.(iii)	413 428	575 448
	Restated balance	(55 038)	(55 038)
		358 390	520 410
37.8	Inventory		
	Balance previously reported	R	R
	Correction - see note 37.1.(iv)	17 439 532	17 269 873
	Restated balance	(71 599)	(71 599)
		17 367 933	17 269 873
37.9	Unspent Government Grants and Subsidies		
	Balance previously reported	R	R
	Correction - see note 37.1.(v)	6 387 753	11 351 557
	Restated balance	475 006	475 006
		6 862 759	11 351 557
37.10	Taxes		
	Balance previously reported	R	R
	Correction - see note 37.1.(vi)	4 042 346	2 867 172
	Restated balance	62 516	62 516
		4 104 862	2 929 688
37.11	Property Plant and Equipment		
	Balance previously reported	R	R
	Correction - see note 37.1.(vii)	188 006 484	173 661 509
	Correction - see note 37.1.(x)	1 240 009	1 240 009
	Change in Accounting Policy: re-allocation see note 37.1.(viii)	(134 765)	(77 686)
	Re-allocation - see note 37.1.(ix)	(723 205)	(723 205)
	Restated balance	(1 034 000)	(1 034 000)
		187 354 523	173 066 627
37.12	Investment Properties		
	Balance previously reported	R	R
	Correction - see note 37.1.(vii)	21 170 441	21 201 620
	Re-allocation - see note 37.1.(ix)	5 093 511	5 093 511
	Change in Accounting Policy: re-allocation see note 37.1.(viii)	1 034 000	1 034 000
	Correction - see note 37.1.(viii)	(2 012 000)	(2 012 000)
	Restated balance	47 706	35 747
		25 333 658	25 352 878
37.13	Heritage Assets		
	Balance previously reported	R	R
	Correction - see note 37.1.(vii)	657 000	-
	Change in Accounting Policy: re-allocation see note 37.1.(viii)	2 735 205	2 735 205
	Restated balance	3 392 205	3 392 205

STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported
Correction of error -see note 37.1.(i)
Correction of error -see note 37.1.(ii)
Correction of error -see note 37.1.(iv)
Correction of error- see note 37.1.(x)
Correction of error- see note 37.1.(xi)

Effect on General Expenditure
Effect on Depreciation and Amortisation
Effect on Stock Adjustments

2012
R
3 074 475
115 522
90 880
(71 599)
(57 079)
11 959
89 682
115 522
45 760
(71 599)

Total

3 164 158

2013
R

2012
R

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	29 958 187	3 164 158
Adjustments for:		
Depreciation	6 953 412	6 112 840
Amortisation of Intangible Assets	36 968	31 612
Gain on disposal of property, plant and equipment	(394 074)	-
Loss on disposal of property, plant and equipment	12 845	37 253
Debt Impairment	4 497 133	2 276 821
Bad debts written off		(791 170)
Stock adjustments	177	71 599
Contribution to current employee benefits	879 716	176 246
Contribution from/to employee benefits	447 109	147 270
Contribution to Landfill site	361 375	1 053 404
Actuarial Gains	449 176	228 268
Impairment	48 496	6 213
Interest received (Grants Investments)		3 510
Grants Received	65 912 853	35 849 403
Grant Expenditure	(69 742 914)	(40 816 716)
Operating lease income accrued	(391)	(332)
Operating Surplus/(Deficit) before changes in working capital	39 420 067	7 550 379
Changes in working capital	5 988 496	3 639 331
Increase/(Decrease) in Payables for Exchange Transactions	5 291 601	5 722 417
Increase/(Decrease) in Taxes	2 769 934	(1 175 174)
(Increase)/Decrease in Inventory	(95 328)	(169 658)
(Increase)/Decrease in Trade and other receivables	(1 977 711)	(738 254)
Cash generated/(absorbed) by operations	45 408 563	11 189 710

39 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 22	1 127 493	-
Cash Floats - Note 22	3 450	2 150
Bank - Note 22	3 888 703	5 668 207
Total cash and cash equivalents	5 019 646	5 670 357

40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 39	5 019 646	5 670 357
Less:	5 019 646	5 670 357
	1 697 770	2 757 897
Unspent Committed Conditional Grants - Note 10	3 032 698	6 862 759
VAT - Note 11	(1 334 928)	(4 104 862)
Resources available for working capital requirements	3 321 876	2 912 460

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	36 336 076	37 542 465
Used to finance property, plant and equipment - at cost	(36 336 076)	(37 542 465)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

42 BUDGET COMPARISONS

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
42.1 Operational				
Revenue by source				
Property taxes	21 400 513	22 116 450	(715 937)	-3%
Government Grants and Subsidies - Capital	43 293 349	-	43 293 349	100%
Government Grants and Subsidies - Operating	26 449 565	64 902 041	(38 452 476)	-59%
Fines	1 310 479	1 192 000	118 479	10%
Service Charges	69 746 427	78 430 060	(8 683 633)	-11%
Rental of Facilities and Equipment	777 167	824 200	(47 033)	-6%
Interest Earned - external investments	527 019	500 000	27 019	5%
Interest Earned - outstanding debtors	1 161 418	1 540 000	(378 582)	-25%
Licences and Permits	990 881	604 970	385 911	64%
Agency Services	1 130 183	1 200 000	(69 817)	-6%
Other Income	1 595 148	996 980	598 168	60%
Gain on disposal of Property, Plant and Equipment	394 074	-	394 074	100%
	168 776 224	172 306 701	(3 530 477)	-2%
Expenditure by nature				
Employee Related Costs	49 429 045	54 549 900	5 120 855	-9%
Remuneration of Councillors	2 766 523	2 775 000	8 477	0%
Debt Impairment	4 164 096	6 290 460	2 126 364	-34%
Depreciation and Amortisation	6 990 379	13 268 070	6 277 691	-47%
Impairments	48 496	-	(48 496)	-100%
Repairs and Maintenance	11 907 032	13 364 737	1 457 705	-11%
Stock Adjustments	177	-	(177)	-100%
Actu: Actu Actuarial losses	449 176	-	(449 176)	-100%
Finance Charges	5 181 348	4 774 568	(406 780)	9%
Bulk Purchases	33 553 188	34 915 000	1 361 812	-4%
Grants and Subsidies	1 246 890	1 330 000	83 110	-6%
Operating Grant Expenditure	4 490 658	8 677 000	4 186 342	-48%
General Expenses	18 578 183	15 174 309	(3 403 874)	22%
Loss on disposal of Property, Plant and Equipment	12 845	-	(12 845)	-100%
	138 818 037	155 119 044	16 301 007	-11%
Net Surplus for the year	29 958 187	17 187 657	12 770 530	74%

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
42.2 Expenditure by Vote				
Corporate Services	17 752 035	19 364 007	(1 611 972)	-8%
Municipal Manager	7 255 871	6 555 120	700 751	11%
Community Services	23 893 380	28 874 851	(4 981 471)	-17%
Engineers Service	71 623 340	82 545 613	(10 922 273)	-13%
Finance Service	18 293 411	17 779 453	513 958	3%
	138 818 037	155 119 044	(16 301 007)	-11%
	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
42.3 Capital expenditure by vote				
Corporate Services	321 708	320 681	1 027	0%
Municipal Manager	41 299	50 000	(8 701)	-17%
Community Services	2 170 446	3 750 000	(1 579 554)	-42%
Engineers Service	42 380 422	33 554 360	8 826 062	26%
Finance Service	367 645	204 000	163 645	80%
	45 281 520	37 879 041	7 402 479	20%
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2013 R	2012 R
43.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			61 778 648	51 170 706
Unauthorised expenditure current year - capita			8 990 733	222 333
Unauthorised expenditure current year - operating			1 214 709	10 385 609
Condoned by council			-	-
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			71 984 091	61 778 648

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R																				
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)																						
Fruitless and wasteful expenditure																						
Reconciliation of fruitless and wasteful expenditure:																						
Opening balance	3 403 405	2 936 996																				
Fruitless and wasteful expenditure current year	39 104	466 409																				
Written off by council	-	-																				
Transfer to receivables for recovery	-	-																				
Fruitless and wasteful expenditure awaiting further action	3 442 509	3 403 405																				
<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th><td></td><td></td></tr><tr><td>Interest on late payment of creditors</td><td>None</td><td>-</td><td>52 850</td></tr><tr><td>Interest on arrear portion of long term liabilities</td><td>None</td><td>-</td><td>164 839</td></tr><tr><td>Interest and penalties - Late payments on VAT</td><td>None</td><td>39 104</td><td></td></tr><tr><td></td><td></td><td>39 104</td><td>217 690</td></tr></table>			Incident	Disciplinary steps/criminal proceedings			Interest on late payment of creditors	None	-	52 850	Interest on arrear portion of long term liabilities	None	-	164 839	Interest and penalties - Late payments on VAT	None	39 104				39 104	217 690
Incident	Disciplinary steps/criminal proceedings																					
Interest on late payment of creditors	None	-	52 850																			
Interest on arrear portion of long term liabilities	None	-	164 839																			
Interest and penalties - Late payments on VAT	None	39 104																				
		39 104	217 690																			
Irregular expenditure																						
Reconciliation of irregular expenditure:																						
Opening balance	5 171 537	812 955																				
Irregular expenditure current year	-	4 358 582																				
Condonement supported by council	-	-																				
Transfer to receivables for recovery	-	-																				
Irregular expenditure awaiting further action	5 171 537	5 171 537																				
Irregular expenditure awaiting condonement from National Treasury	-	-																				
<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th><td></td><td></td></tr><tr><td>Purchases made without tax clearance certificates</td><td>None</td><td>-</td><td>1 218 917</td></tr><tr><td>Peferential point system not applied in tender pocess.</td><td>None</td><td>-</td><td>3 139 665</td></tr><tr><td>Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained</td><td>None</td><td>-</td><td>812 955</td></tr><tr><td></td><td></td><td>-</td><td>5 171 537</td></tr></table>			Incident	Disciplinary steps/criminal proceedings			Purchases made without tax clearance certificates	None	-	1 218 917	Peferential point system not applied in tender pocess.	None	-	3 139 665	Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	None	-	812 955			-	5 171 537
Incident	Disciplinary steps/criminal proceedings																					
Purchases made without tax clearance certificates	None	-	1 218 917																			
Peferential point system not applied in tender pocess.	None	-	3 139 665																			
Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	None	-	812 955																			
		-	5 171 537																			
Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.																						
Material Losses																						
Water distribution losses																						
- Kilo litres disinfected/purified/purchased	1 498 763	1 895 591																				
- Kilo litres lost during distribution	317 484	691 500																				
- Percentage lost during distribution	21.18%	36.48%																				
Electricity distribution losses																						
- Units purchased (Kwh)	50 662 127	50 468 908																				
- Units lost during distribution (Kwh)	2 025 010	8 601 323																				
- Percentage lost during distribution	4.00%	17.04%																				
	2013 R	2012 R																				
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT																						
Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS																						
Opening balance	-	-																				
Council subscriptions	-	429 391																				
Amount paid - current year	-	(429 391)																				
Amount paid - previous years	-	-																				
Balance unpaid (included in creditors)	-	-																				

SWELLENDEAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
44.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	690 804	253 222
Current year audit fee	2 320 323	3 153 454
External Audit - Auditor-General Audit Committee	2 320 323 -	3 153 454 -
Amount paid - current year	(1 777 277)	(253 222)
Amount paid - previous year	(690 804)	(2 462 650)
Balance unpaid (included in creditors)	543 045	690 804
44.3 VAT - [MFMA 125 (1)(b)]		
VAT balance at year end - Refer to note 12	1 334 928	4 104 862
Closing balance - Receivable	1 334 928	4 104 862

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

44.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	-	5 629 356
Amount paid - current year	-	(5 629 356)
Balance unpaid (included in creditors)	-	-

44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12 303 543	10 731 315
Amount paid - current year	(12 303 543)	(10 731 315)
Balance unpaid (included in creditors)	-	-

44.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]	
No Councillors had arrear accounts for more than 90 days as 30 June 2013	

44.7 Deviations from Supply Chain Management Regulations

Non-compliance summary

Department:

Corporate Services	35 276
Community Services	93 456
Engineers Service	1 256 381
Municipal Manager	102 408
Finance Service	769 612
	2 257 133

	<u>< R30000</u>	<u>>R30000</u> <u><R200000</u>	<u>>R200000</u>		
Per Quarter					
1	380783	287014	-		667 797
2	212597	69120	-		281 717
3	109513	236640	207360		553 513
4	206200	547905	-		754 106
Total					2 257 133

44.8 Other non-compliance (MFMA 125(2)(e))

Reporting of withdrawals from bank accounts were not submitted within 30 days after the end of each quarter to council nor to Provincial Treasury and the Auditor-General as required by section 11(4) of the MFMA.

Service Delivery and Budget Implementation Plan reports were not submitted quarterly to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter as required by section 52(d) of the MFMA.

National Treasury were not informed, as required by section 64(3) of the MFMA, of payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

The monthly budget statements were not compliant with section 71 of the MFMA and they were not placed on the website as required by regulation 30(1) of the Municipal Budget Reporting Regulations

The annual report or components of the annual report were not tabled in council and the mayor did not submit a written explanation to council setting out the reasons for the delay as required by section 127 of the MFMA.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The internal audit unit did not function as required by section 165(2) of the MFMA, nor section 14 of the Municipal planning and performance regulations.

Creditotrs payments were not made within 30 days as required by the MFMA.

	2013 R	2012 R
45 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	249 060	28 935 492
Total commitments consist out of the following:		
Construction of extentions to the Buffelsjagsrivier library	249 060	-
Waste Water Treatment Works Swellendam	-	28 935 492
	249 060	28 935 492
This expenditure will be financed from:		
External Loans	-	1 505 203
Government Grants	249 060	27 430 289
	249 060	28 935 492

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

46

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	(576 051)	(282 712)
0.5% (2012 - 0.5%) Decrease in interest rates	288 026	282 712

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 and 20 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2013	2013	2012	2012
	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	(1 497 664)	-	-
<u>Exchange Receivables</u>				
Electricity	-8.66%	(1 101 547)	-	-
Water	-3.35%	(425 589)	-	-
Refuse	-1.90%	(241 168)	-	-
Sewerage	-3.39%	(430 670)	-	-
Other	1.99%	253 162	-	-
	-15.31%	(1 945 812)	-	-

SWELLENDAAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	14 074 767	100.00%	13 227 249
<u>Exchange Receivables</u>				
Electricity	30.77%	4 972 684	17.51%	4 581 577
Water	22.93%	3 705 683	23.21%	6 070 920
Refuse	14.44%	2 334 359	15.51%	4 058 282
Sewerage	24.31%	3 928 941	23.10%	6 044 661
Other	7.54%	1 219 165	20.66%	5 406 270
	100.00%	16 160 831	100%	26 161 710

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	937 743	100.00%	791 170
<u>Exchange Receivables</u>				
Electricity	11.09%	1 410 260	-	-
Water	29.36%	3 733 092	-	-
Refuse	18.92%	2 405 536	-	-
Sewerage	25.68%	3 264 520	-	-
Other	14.94%	1 899 343	-	-
	100.00%	12 712 751	-	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows		
Long term receivables	347 565	403 589
Receivables from exchange transactions	8 199 543	10 289 477
Receivables from non-exchange transactions	2 886 030	3 131 949
Cash and Cash Equivalents	5 019 646	5 670 357
	16 452 784	19 495 372

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	5 596 869	21 268 294	22 329 975	24 909 407
Capital repayments	1 687 656	7 508 445	9 426 590	17 049 235
Interest	3 909 213	13 759 848	12 903 385	7 860 172
Long Term liabilities - Finance Lease Liability	856 785	291 337	-	-
Capital repayments	798 350	275 325	-	-
Interest	58 435	16 012	-	-
Long Term Liabilities - Hire Purchases	155 302	19 068		
Capital repayments	145 360	18 976	-	-
Interest	9 942	92	-	-
Provisions - Landfill Sites	5 664 155	2 362 460	2 953 076	15 736 955
Capital repayments	4 849 493		-	12 783 879
Interest	814 662	2 362 460	2 953 076	2 953 076
Trade and Other Payables	11 950 851.52	-	-	-
Unspent conditional government grants and receipts	3 032 698	-	-	-
	<u>27 256 661</u>	<u>23 941 158</u>	<u>25 283 051</u>	<u>40 646 362</u>

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Annuity Loans	6 361 841	22 274 899	22 587 087	29 240 196
Capital repayments	1 577 130	7 724 771	8 704 647	19 240 306
Interest	4 784 711	14 550 128	13 882 440	9 999 890
Long Term liabilities - Finance Lease Liability	1 776	-	-	-
Capital repayments	1 635		-	-
Interest	141		-	-
Long Term Liabilities - Hire Purchases	155 307	174 370		
Capital repayments	129 639	164 336		
Interest	25 668	10 034		
Provisions - Landfill Sites	4 786 262	19 458 533	-	-
Capital repayments	4 558 345	17 563 146	-	-
Interest	227 917	1 895 387	-	-
Trade and Other Payables	11 950 852	-	-	-
Unspent conditional government grants and receipts	6 862 759	-	-	-
	<u>30 118 797</u>	<u>41 907 802</u>	<u>22 587 087</u>	<u>29 240 196</u>

		2013 R	2012 R
47 FINANCIAL INSTRUMENTS			
In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
47.1 Financial Assets	Classification		
Long-term Receivables			
Capital Individual Loans	Financial instruments at amortised cost	-	1 484
Housing Loan Scheme	Financial instruments at amortised cost	347 565	402 105
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	8 199 543	10 289 477
Receivables from non-exchange transactions	Financial instruments at amortised cost	2 886 030	3 131 949
Other Receivables			
Current Portion of Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	-	742
Sport Club Loans	Financial instruments at amortised cost	61 283	44 457
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	1 127 493	-
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	3 888 703	5 668 207
Cash Floats and Advances	Financial instruments at amortised cost	3 450	2 150
		<u>16 514 067</u>	<u>19 540 571</u>

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	16 514 067	19 540 571
At amortised cost	16 514 067	19 540 571

FINANCIAL INSTRUMENTS (CONTINUE)

47.2 <u>Financial Liability</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	33 984 280	35 669 724
Capitalised Lease Liability	Financial instruments at amortised cost	332 679	-
Hire Purchases	Financial instruments at amortised cost	18 976	164 336
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	8 862 261	7 757 721
Accrued interest	Financial instruments at amortised cost	698 658	709 505
Retentions	Financial instruments at amortised cost	3 589 195	777 447
Deposits	Financial instruments at amortised cost	579 024	488 444
Other	Financial instruments at amortised cost	3 766 092	2 217 735
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	3 032 698	6 862 759
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	1 687 656	1 577 130
Capitalised Lease Liability	Financial instruments at amortised cost	167 125	1 636
Hire Purchases	Financial instruments at amortised cost	145 360	129 639
		56 864 004	56 356 076
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		56 864 004	56 356 076

48 EVENTS AFTER THE REPORTING DATE

The municipality has embarked in a process to appoint candidates in the vacancies for Municipal Manger and Financial Officer. The position of an Municipal Engineer was filled .

49 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

51 CONTINGENT LIABILITIES

Unlicensed landfill sites

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

Labour dispute in Labour Court - Mr H Basson

Labour dispute in Labour Court. Mr Basson claims that he was wrongfully dismissed. Should he be successful in Court, Council could be liable for an estimated amount of R5000000 and re-appointment of the employee

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements

52.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest

None

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 Property, Plant and Equipment

30 JUNE 2013

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost Correction of errors	Work- In Progress	Disposals/Write off R	Closing Balance R	Opening Balance R	Accumulated Depreciation and Impairment Losses Correction of errors	Depreciation Charge R	Disposals/Write off R	Closing Balance R	Carrying Value R
Land and Buildings	35 567 747	2 177 853				37 745 600	257 754		94 563		352 319	37 393 281
Land	28 094 864	426 847				28 521 711	-			-	-	28 521 711
Buildings	5 055 641	213 344				5 268 985	226 454		59 338	-	285 792	4 983 194
Fencing	205 848					205 848	8 946		2 057		11 003	194 845
Municipal Buildings	2 211 394	1 537 662				3 749 056	22 355		33 169		55 524	3 693 532
Infrastructure	160 434 951	42 255 042			(5 234)	202 684 759	34 788 493		4 580 578	(1 727)	39 367 345	163 317 414
Bridges, subways & culverts	10 355 375	877 187				11 232 562	726 466		125 014	-	851 480	10 381 082
Mains	23 386 977	-				23 386 977	7 273 726		607 823	-	7 881 549	15 505 429
Meters	1 835 818	-				1 835 818	733 506		52 410	-	785 916	1 049 902
Other	11 374 236					11 374 236	449 437		197 931		647 368	10 726 868
Other roads	38 650 624					38 650 624	8 899 414		2 028 914		10 928 328	27 722 297
Pump stations	2 184 157					2 184 157	741 960		103 346		845 306	1 338 851
Purification works	2 554 888	25 177				2 580 065	1 127 949		107 280		1 235 229	1 344 836
Reservoirs & tanks	8 509 010	70 000				8 579 010	2 843 507		203 561		3 047 068	5 531 942
Sewers	23 004 609					23 004 609	8 308 126		752 621		9 060 747	13 943 862
Supply/reticulation	17 839 907	1 477 428			(5 234)	19 312 101	3 283 152		369 937	(1 727)	3 651 362	15 660 739
Switchgear equipment	294 645					294 645	96 268		7 657		103 925	190 720
Traffic lights	514 274					514 274	304 983		24 085		329 068	185 206
Work in progress	19 930 429	39 805 250				59 735 679	-				-	59 735 679
Community Assets	14 424 544	62 317			-	14 486 861	372 569	-	113 207	-	485 776	14 001 084
Cemeteries	139 000	-			-	139 000	-			-	-	139 000
Clinics/hospitals	327 074					327 074	11 326		2 832		14 158	312 916
Community Centres	2 512 494	7 695				2 520 189	92 215		32 773		124 988	2 395 201
Indoor Sports	1 231 320					1 231 320	36 334		11 323		47 657	1 183 663
Libraries	2 976 407	54 622				3 031 029	86 472		23 052		109 524	2 921 505
Office Buildings	2 089 003					2 089 003	56 441		14 202		70 643	2 018 360
Outdoor sports facilities	2 116 000					2 116 000	46 085		11 521		57 606	2 058 394
Parks	2 834 611					2 834 611	33 087		8 272		41 359	2 793 252
Public conveniences/bathhouses	38 566					38 566	2 589		1 234		3 823	34 742
Tip sites	160 070					160 070	8 020		7 998		16 018	144 052
Lease Assets	6 153	536 407			-	542 560	4 919	-	35 191	-	40 110	502 450
Office Equipment	6 153	536 407			-	542 560	4 919		35 191		40 110	502 450
Heritage Assets	-	-			-	-	-	-	-	-	-	-
Buildings	-	-			-	-	-		-		-	-
Other Assets	18 697 103	249 901			(14 819)	18 932 185	6 352 238	-	1 867 548	(1 974)	8 217 812	10 714 374
Air conditioners	340 864	9 560				350 424	147 941		50 207	-	198 148	152 277
Cabinets/cupboards	734 136	15 152			(12 554)	736 734	161 404		43 838	(1 301)	203 941	532 793
Chairs	1 023 017	15 774			(1 199)	1 037 592	206 158		66 980	(240)	272 898	764 694
Computer hardware	1 788 353	93 898				1 882 251	650 963		297 254		948 217	934 033
General plant	696 589	5 155				701 744	374 508		79 942		454 450	247 293
Generator	251 935					251 935	75 848		43 850		119 698	132 237
Graders	1 136 080					1 136 080	168 617		156 674		325 291	810 789
Lawnmowers	164 015	24 646				188 661	55 314		26 257		81 571	107 091
Mechanical horses	1 305 038					1 305 038	394 919		100 597		495 516	809 522
Miscellaneous furniture	694 031	11 587			(165)	705 453	276 789		73 491	(99)	350 181	355 273
Office machines	341 222	5 300				346 522	143 696		59 506		203 202	143 320
Radio equipment	172 965					172 965	90 828		26 374		117 202	55 763
Security systems	108 663					108 663	16 875		20 341		37 216	71 446
Tables/desks	827 476	52 745			(129)	880 092	159 524		48 468	(26)	207 966	672 125
Telecommunication equipment	148 120					148 120	96 651		10 289		106 940	41 181
Tipsters	-					-	-				-	-
Tools	743 717	16 084			(772)	759 029	346 385		91 496	(308)	437 573	321 455
Tracktots	231 143	-			-	231 143	94 919		(20 800)	-	74 119	157 023
Trucks/bakkies	7 002 124	-			-	7 002 124	2 551 475		571 268	-	3 122 743	3 879 381
Vehicles	987 617	-			-	987 617	339 424		121 516	-	460 940	526 677
	229 130 498	45 281 520			(20 053)	274 391 965	41 775 974		6 691 087	(3 701)	48 463 362	225 928 603

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Re- allocations	Cost Correction of errors	Work In- Progrss	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation and Impairment Losses Correction of errors	Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	36 460 082	582 981	-867 327	-607 989		-	35 567 747	168 595	20 434	68 726	-	257 754	35 309 994
Land	29 887 190		-1 184 337	-607 989		-	28 094 864	-		-	-	-	28 094 864
Buildings	5 346 856	3 850	-295 065			-	5 055 641	159 996	12 864	53 594	-	226 454	4 829 188
Fencing	-	205 848					205 848	-	7 570	1 376	-	8 946	196 902
Municipal Buildings	1 226 035	373 283	612 075				2 211 394	8 599		13 756	-	22 355	2 189 039
Infrastructure	141 721 244	18 761 141				(47 434)	160 434 951	31 093 702		3 742 225	(47 434)	34 788 493	125 646 458
Bridges, subways & culverts	1 314 774				9 040 600	-	10 355 375	655 065		71 401	-	726 466	9 628 909
Mains	19 712 769				3 674 209	-	23 386 977	6 790 134		483 592	-	7 273 726	16 113 252
Meters	1 594 418				241 400	-	1 835 818	701 552		31 954	-	733 506	1 102 312
Other	6 140 992				5 233 245		11 374 236	287 392		162 045	-	449 437	10 924 799
Other roads	25 471 984				13 178 640		38 650 624	7 161 525		1 737 889	-	8 899 414	29 751 211
Pump stations	2 060 324				123 833		2 184 157	640 936		101 024	-	741 960	1 442 197
Purification works	2 528 653				26 235		2 554 888	1 030 494		97 455	-	1 127 949	1 426 839
Reservoirs & tanks	6 083 184				2 425 827		8 509 010	2 697 078		146 429	-	2 843 507	5 665 503
Sewers	23 052 043					(47 434)	23 004 609	7 760 345		595 215	(47 434)	8 308 126	14 696 483
Supply/reticulation	14 087 330				3 752 578		17 839 907	2 988 923		294 229	-	3 283 152	14 556 755
Switchgear equipment	294 645				-		294 645	89 999		6 269	-	96 268	198 377
Traffic lights	514 274				-		514 274	290 259		14 724	-	304 983	209 291
Work in progress	38 865 854	18 761 141			(37 696 566)	-	19 930 429	-			-	-	19 930 429
Community Assets	13 603 701	42 320	1 161 808	-383 285		-	14 424 544	235 250	27 999	109 320	-	372 569	14 051 974
Cemeteries	139 000	-				-	139 000	-		-	-	-	139 000
Clinics/hospitals	337 751	-	-10 677				327 074	8 487		2 839	-	11 326	315 748
Community Centres	2 442 825	38 360	31 309				2 512 494	54 371	11 604	26 240	-	92 215	2 420 279
Indoor Sports	1 231 320						1 231 320	24 980		11 354	-	36 334	1 194 986
Libraries	2 836 281	1 970	138 156				2 976 407	40 534	31 592	14 346	-	86 472	2 889 935
Office Buildings	3 405 880	-	-593 672	-723 205			2 089 003	58 803	-32 019	29 657	-	56 441	2 032 562
Outdoor sports facilities	2 116 000	-					2 116 000	34 532		11 553	-	46 085	2 069 915
Parks	897 999	-	1 596 692	339 920			2 834 611	12 188	16 822	4 077	-	33 087	2 801 524
Public conveniences/bathhouses	36 576	1 990					38 566	1 355		1 234	-	2 589	35 976
Tip sites	160 070						160 070	-		8 020	-	8 020	152 050
Lease Assets	292 559	-				(286 406)	6 153	258 954		32 371	(286 406)	4 919	1 234
Office Equipment	292 559					(286 406)	6 153	258 954		32 371	(286 406)	4 919	1 234
Other Assets	17 805 307	787 568	-294 481	474 079		(75 370)	18 697 103	4 464 883	86 332	1 839 140	(38 117)	6 352 238	12 344 866
Air conditioners	333 565	10 697	-515	-2 882		-	340 864	104 871	-1 358	44 428	-	147 941	192 924
Cabinets/cupboards	937 413	9 970	-250 546	37 299		-	734 136	155 453	-41 614	47 565	-	161 404	572 732
Chairs	752 502	5 733	13 417	251 363		-	1 023 017	113 330	54 274	38 554	-	206 158	816 859
Computer hardware	1 313 692	413 600	124 014	11 789		(74 742)	1 788 353	399 901	51 164	237 764	(37 866)	650 963	1 137 389
General plant	988 824	44 685	-357 383	20 462		-	696 589	299 253	-24 578	99 833	-	374 508	322 080
Generator	133 389	110 827		7 719		-	251 935	51 033	3 314	21 501	-	75 848	176 087
Graders	1 148 080	-	-12 000				1 136 080	106 079	-9 600	72 138	-	168 617	967 463
Lawnmowers	168 096	-	-11 581	7 500			164 015	41 193	-1 452	15 573	-	55 314	108 702
Mechanical horses	1 077 157	3 520	213 815	10 546			1 305 038	384 088	-57 013	67 844	-	394 919	910 119
Miscellaneous furniture	665 643	12 799	-36 974	53 191		(628)	694 031	185 763	22 853	68 424	(251)	276 789	417 243
Office machines	230 091	2 563	93 751	14 817			341 222	73 562	29 428	40 706	-	143 696	197 526
Radio equipment	154 570	6 825	7 543	4 028			172 965	55 184	14 226	21 418	-	90 828	82 137
Security systems	51 110	-	57 553				108 663	15 621	-3 972	5 226	-	16 875	91 787
Tables/desks	856 215	2 782	-33 903	2 382			827 476	124 382	-8 342	43 484	-	159 524	667 951
Telecommunication equipment	167 153	-	-19 033				148 120	97 863	-12 654	11 442	-	96 651	51 470
Tipper	370 189	1 173	-371 362				-0	126 294	-143 750	17 456	-	-	-0
Tools	425 828	23 501	238 521	55 866			743 717	99 941	184 684	61 760	-	346 385	397 331
Tracktots	231 143	4 693	-4 693				231 143	81 932	-86	13 073	-	94 919	136 223
Trucks/bakkies	6 876 517	50 578	75 029				7 002 124	1 706 392	32 723	812 360	-	2 551 475	4 450 649
Vehicles	924 129	83 622	-20 134				987 617	242 748	-1 915	98 591	-	339 424	648 193
	209 882 893	20 174 010	-	-517 195		(409 210)	229 130 498	36 221 383	134 764	5 791 782	(371 956)	41 775 973	187 354 524

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

SWELLEDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Land;

Property, Plant and Equipment financed by way of finance leases;

Property, Plant and Equipment financed by way of provisions;

Property, Plant and Equipment transferred as a result of the transfer of functions; and

Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality therefore did not utilise the transitional provision in the following areas:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

APPENDIX A - Unaudited
SWELLENDAM LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS									
L.F.P.O.-SEWERAGE (INDUSTRIAL)- LOAN FUND	15.90%		2013	25 630		25 630		25 630	(0)
STREETS - DBSA	8.08%		2021	276 333		276 333		30 704	245 629
UPGRADING OF ELECTRICAL NETWORK-DBSA	8.53%		2021	999 978		999 978		105 261	894 717
INFRASTRUCTURE-DBSA	8.53%		2017	567 572		567 572		103 195	464 377
INFRASTRUCTURE- PHASE 2-DBSA	10.56%		2024	4 130 245		4 130 245		183 700	3 946 545
INFRASTRUCTURE- PHASE 4-DBSA	9.26%		2017	3 362 302		3 362 302		556 549	2 805 753
INFRASTRUCTURE- PHASE 3-DBSA	8.89%		2025	4 184 637		4 184 637		170 175	4 014 462
INFRASTRUCTURE-2007-DBSA	11.12%		2029	4 222 464		4 222 464		91 179	4 131 285
INFRASTRUCTURE-2008-DBSA	12.20%		2030	19 477 693	-	19 477 693	-	308 525	19 169 168
Total Annuity Loans				37 246 854	-	37 246 854	-	1 574 918	35 671 936
HIRE PURCHASES									
West Bank Vehicles Finance				-	293 975	293 975		129 639	164 336
Total Hire Purchase Liabilities				-	293 975	293 975	-	129 639	164 336
LEASE LIABILITY									
Vehicles and office equipment				1 635	-	1 635	536 407	38 239	499 803
Total Lease Liabilities				1 635	-	1 635	536 407	38 239	499 803
TOTAL EXTERNAL LOANS				37 248 489	293 975	37 542 464	536 407	1 742 796	36 336 075

APPENDIX B - Unaudited
SWELLENDAAM LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
490 276	(283 962)	206 314	BUILDING CONTROL	477 816	(474 877)	2 940
480 833	(750 131)	(269 298)	CARAVAN PARK	651 045	(763 075)	(112 031)
26 149	(102 461)	(76 312)	CEMETERIES	15 987	(66 993)	(51 006)
74 943	(545 737)	(470 794)	COMMONAGE	(239 538)	(277 208)	(516 746)
2 156 388	(4 699 781)	(2 543 393)	COMMUNITY SERVICES	9 381 877	(3 863 964)	5 517 913
-	(3 160 222)	(3 160 222)	CORPORATE SERVICES	1 756	(5 270 968)	(5 269 212)
36 142 483	(11 534 433)	24 608 050	COUNCIL GENERAL	40 270 612	(10 680 335)	29 590 277
158 305	(3 467 704)	(3 309 398)	ELECTRICITY ADMIN	1 909 546	(3 503 221)	(1 593 675)
43 946 027	(32 804 876)	11 141 151	ELECTRICITY NETWORK	45 352 599	(37 072 299)	8 280 300
9 207 607	(5 638 477)	3 569 131	ENGINEERS SERVICES	34 992 442	(8 320 456)	26 671 986
3 997 692	(22 863 899)	(18 866 207)	FINANCIAL SERVICES	5 262 583	(18 020 714)	(12 758 131)
78 124	(494 761)	(416 638)	HALLS	61 731	(448 774)	(387 044)
-	(185 155)	(185 155)	IDP	-	(20 028)	(20 028)
226 754	(595 836)	(369 082)	IRRIGATION WATER	243 418	(642 418)	(399 000)
1 791 940	(2 427 665)	(635 725)	LIBRARY	2 005 408	(2 773 366)	(767 959)
-	(497 218)	(497 218)	LOCAL ECONOMIC DEVELOPMENT	-	(496 595)	(496 595)
-	-	-	MAIN ROADS	171 029	(54 000)	117 029
2 796	(3 519 559)	(3 516 763)	MUNICIPAL MANAGER	-	(5 579 212)	(5 579 212)
-	(203 063)	(203 063)	OFFICE BUILDINGS	-	(485 733)	(485 733)
-	(4 361 673)	(4 361 673)	PARKS	-	(4 633 711)	(4 633 711)
1 217	(16 648)	(15 430)	POUND	11 061	(12 917)	(1 856)
5 531 909	(5 653 645)	(121 737)	REFUSE	5 397 591	(5 583 616)	(186 025)
151 919	(192 994)	(41 075)	RENTED BUILDINGS	168 300	(160 397)	7 903
-	(666 110)	(666 110)	SEWERAGE ADMINISTRATION	-	(1 410 825)	(1 410 825)
9 839 778	(1 989 565)	7 850 213	SEWERAGE NETWORK	10 305 907	(3 315 711)	6 990 196
-	(1 271 752)	(1 271 752)	SEWERAGE PURIFICATION	-	(1 498 333)	(1 498 333)
2 960	(193 552)	(190 592)	SPORTS AND RECREATIONS	2 740	(207 049)	(204 309)
-	(245 537)	(245 537)	STORES	-	(272 697)	(272 697)
-	(484 636)	(484 636)	STORMWATER	-	(442 660)	(442 660)
98	(1 075 951)	(1 075 853)	STREET LIGHTS	78	(1 026 931)	(1 026 853)
7 945 257	(6 633 556)	1 311 701	STREETS	6 018	(5 331 314)	(5 325 296)
171 068	(577 583)	(406 516)	THUSONG MULTIPURPOSE CENTER	124 319	(314 870)	(190 551)
-	(956 183)	(956 183)	TOURISM	-	(999 639)	(999 639)
132 658	(858 257)	(725 599)	TOWN PLANNING	156 016	(1 048 647)	(892 630)
3 359 935	(4 843 021)	(1 483 085)	TRAFFIC AND LICENSING	3 413 283	(5 225 043)	(1 811 760)
-	(71 001)	(71 001)	WATER DAMS	-	(69 908)	(69 908)
8 218 659	(3 129 351)	5 089 308	WATER NETWORK	8 632 601	(4 055 050)	4 577 551
-	(2 861 351)	(2 861 351)	WATER PURIFICATION	-	(3 709 874)	(3 709 874)
-	(716 428)	(716 428)	WATER WORKS	-	(176 473)	(176 473)
-	(397 884)	(397 884)	WORKSHOP FLEET	-	(508 133)	(508 133)
134 135 777	(130 971 619)	3 164 158	TOTAL	168 776 224	(138 818 037)	29 958 187

APPENDIX C - Unaudited
SWELLENDAM LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
36 840 360	(16 382 612)	20 457 749	Corporate Services	40 666 663	(17 752 035)	22 914 628
154 715	(5 351 108)	(5 196 394)	Municipal Manager	168 300	(7 255 871)	(7 087 571)
13 600 523	(24 120 922)	(10 520 399)	Community Services	21 065 041	(23 893 380)	(2 828 339)
79 542 487	(62 007 541)	17 534 946	Engineers Service	101 613 638	(71 623 340)	29 990 298
3 997 692	(23 109 437)	(19 111 745)	Finance Service	5 262 583	(18 293 411)	(13 030 828)
134 135 777	(130 971 619)	3 164 158	Total	168 776 224	(138 818 037)	29 958 187

APPENDIX D - Unaudited
SWELLEDAM LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Balance 1 JULY 2012	Grants Received	Grants withhold	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
	R	R	R	R		R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
<u>National Government Grants</u>								
Equitable Share	-	-	-	18 897 000	(469 000)	(18 428 000)	-	-
Local Government Financial Management Grant	-	-	-	1 250 000		(1 250 000)	-	-
Integrated National Electrification Programme (Eskom) Grant	1 858 481	-	1 858 481	-			(1 858 481)	-
Municipal Infrastructure Grant	-	-	-	11 125 000		(654 650)	(10 470 350)	-
Municipal Systems Improvement Grant	-	-	-	800 000		(800 000)		-
RBIC	-	-	-	21 600 000			(21 600 000)	-
EPWP	262 000	-	262 000	1 000 000		(1 262 000)		-
Total National Government Grants	2 120 481	-	2 120 481	54 672 000	(469 000)	(22 394 650)	(33 928 831)	-
<u>Provincial Government Grants</u>								
Social Plan Fund	26 392		26 392					26 392
Upgrade : Library Suurbraak	520		520					520
Structure Plan	1 014		1 014					1 014
Disaster Management System	5 894		5 894					5 894
Project Preparation	7 700		7 700					7 700
Economic Development Plan	50 000		50 000					50 000
Upgrading of roads: Dept of Public Works	500 000	500 000	1 000 000			(1 000 000)		-
Multi Purpose Sentrum	86 225		86 225					86 225
Electricity Master Plan	11		11					11
Library Services	73 696		73 696	347 000		(346 568)		74 128
Community Development Workers			-					-
Emergency Housing - Malgas	33 622		33 622					33 622
Housing Projects	3 380 771	(51 994)	3 328 777	6 947 853			(9 364 517)	912 113
Transformation Cost	1 075		1 075					1 075
Financial Support			-	1 350 000		(117 029)		1 232 971
Municipal Replacement Fund			-	3 038 000		(2 537 319)		500 681
Main Road Maintenance Subsidy		27 000	27 000	27 000		(54 000)		-
Total Provincial Government Grants	4 166 920	475 006	4 641 926	11 709 853		(4 054 916)	(9 364 517)	2 932 346
<u>District Municipality Grants</u>								
	-	-	-	-		-	-	-
Total District Municipality Grants	-	-	-	-		-	-	-
<u>Other Grant Providers</u>								
Swelldam Festival	7	-	7					7
Vegetable Project - Barrydale	81 723	-	81 723					81 723
Masabanbane Projects	9 248	-	9 248					9 248
EMP Railton Erf 5269	9 374	-	9 374					9 375
		-	-	-		-	-	-
Total Other Grant Providers	100 352	-	100 352	-		-	-	100 352
Total	6 387 753	475 006	6 862 759	66 381 853	(469 000)	(26 449 566)	(43 293 349)	3 032 698